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Annual Privatization Report 2016

Local Government Privatization

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(Note: Portions of this report have been published previously in various editions of Reason Foundation's *Privatization and Government Reform Newsletter* and related articles, as well as other Reason Foundation publications.)

A. Municipal Fiscal Review and Outlook

Despite nearly a decade since the onset of the Great Recession, local governments' fiscal situation has only recently rebounded. After six straight years of declining general fund revenue, this uneven recovery continues to struggle. And, as shown in several recent reports, local governments still face significant fiscal headwinds.

First, the National League of Cities (NLC) issued the 2015 edition of its annual *City Fiscal Conditions* report in October 2015, which found that despite three consecutive years of growing revenues, cities still have not seen revenues return to their pre-recession levels.¹

On the revenue side, after six straight years of declining general fund revenues between 2007 and 2012, the slight uptick in revenues that began in 2013 flattened out in 2015, with a projected increase of 0.31% over 2014 levels. This suggests that while local general fund revenues may have hit bottom in 2012 and reversed direction, they nonetheless may remain in a holding pattern of indefinite duration. Further, the NLC report finds that as of 2015, cities are operating at only 91.6% of 2006 peak revenues, and if current trends continue, it may take several more years for revenues to exceed their pre-recession levels.

Meanwhile, general fund expenditures were projected to rise 2.2% for 2015, a higher year-over-year rate compared to the 1.5% increase seen in 2014. In both 2014 and 2015, the growth rate of expenditures exceeded the growth rate of revenues, and the report notes that “the capacity of city budgets remains weakened coming out of the Great Recession.”²

The report also finds that the three major municipal revenue sources—property taxes, sales taxes and income taxes—all declined together during the Great Recession, “creating what continues to be an extraordinarily prolonged and uncertain period for local government finances.”³ For only the second time since 2008, the report projects that these three tax categories will all see year-over-year increases for 2015, albeit modest ones. Property tax revenues are expected to rise 1.2% in 2015, with sales tax revenues and local income taxes projected to rise by 2.3% and 3.6%, respectively.

One bright spot for local governments is that 2015 ending balances—the virtual equivalent of a “rainy-day fund” or budget reserve—as a percentage of general fund expenditures are expected to total 25.2%, exceeding their pre-recession high of 25%. The authors surmise that “[t]he solid growth of ending balances signals cities’ desire to be more prepared for future fiscal downturns and recognition that key tax revenues, along with state and federal aid, have become less reliable.”⁴

Another bright spot cited in the report is that 82% of city finance officers surveyed reported that their cities were better able to meet their financial needs in 2015 than in 2014, a dramatic turnaround from the post-recession environment of 2009 and 2010, when similar percentages of finance officers reported being less able to meet their needs relative to the previous year.

Despite the fledgling economic improvement, significant fiscal challenges loom. The researchers surveyed city finance directors on what they see as the most positive and negative factors influencing their city's overall fiscal health and found that:

- The factors increasing in importance most over the previous year (positive or negative) were employee wages, infrastructure needs, prices or costs of services, employee health benefits, public safety and the value of the local tax base.
- The factors seen as having the most negative impact on fiscal health were infrastructure demands (48%), the cost of employee and retiree pensions (38%), and the cost of employee and retiree health benefits (36%).
- The factors seen as having the most positive impact on fiscal health were the value of the city tax base (70%), the health of the local economy (63%), and oil prices (24%).

Overall, the report concludes that, “[g]rowth is slow and fiscal challenges are likely to continue due to rising spending demands” in areas like infrastructure and pensions, though it also notes ominously that “it is probable that city revenues will not return to their previous levels before the next recession.”⁵ This is consistent with the findings of other recent editions of the NLC report, suggesting that infrastructure, pensions and employee health care remain persistent challenges facing the municipal sector and are likely to force difficult budget tradeoffs moving forward.

Second, an April 2016 analysis by the Pew Charitable Trusts reviewed data from the 29 largest major U.S. cities and found that 16 saw total revenues increase from fiscal year 2012 to 2013.⁶ However, depressed property values remained a problem, as 16 cities saw declines in property tax receipts over that same fiscal year. Further, 21 of the 29 cities saw declines in state and federal aid to cities between fiscal year 2012 and 2013. Nonetheless, sales and income tax receipts increased in most cities, helping to offset declines in other revenue sources.

The Pew report also found that overall spending in most cities remained below pre-recession levels, and a total of 11 cities reached seven-year operational spending lows in fiscal 2013. Additionally, a total of 17 cities cut spending on programs and services.

Last, the Government Accountability Office (GAO) offered a sobering fiscal assessment in the December 2015 edition of its *State and Local Governments' Fiscal Outlook*, which found that both state and local governments will continue to face long-term fiscal imbalances, with a growing gap between revenue and spending through the year 2064, absent significant policy changes.⁷

The GAO estimates that taking steps to close the looming fiscal gap today would require reducing overall state and local government expenditures by 5% and then holding spending essentially flat as a percentage of

GDP for decades to come. While that gap is indeed substantial, that figure is down significantly from the 18% needed reduction cited in the 2014 edition of the *Fiscal Outlook*, indicating an improving forecast.

The GAO attributes the long-term fiscal challenges primarily to “the rising health-related costs of state and local expenditures on Medicaid and the cost of health care compensation for state and local government employees and retirees.”⁸ In fact, the report projects that state and local health care expenditures are likely to increase at a faster rate than GDP through 2064. State and local pension obligations—specifically, the growing mismatch between pension assets and liabilities over the past decade—is another factor cited by the GAO as potentially important in affecting the state and local fiscal outlook.

Overall, these reports suggest that a slow fiscal recovery—albeit an uneven one—is indeed underway at the local level, but that fiscal headwinds remain for cities, particularly in areas like infrastructure, pensions and employee/retiree health care. This will place continued pressure on municipal policymakers to maintain a focus on fiscal restraint, reform financially unsustainable pension and employee benefit structures, and seek new ways to deliver more cost-effective services.

B. Michigan Surveys Demonstrate Extent of Local Government and School Services Privatization

With the heated rhetoric that often surrounds the privatization of government services, the perspective of public officials who actually implement it is often lost. In recent years, two surveys from Michigan—one on local government contracting and the other on non-instructional K-12 school services—have offered some insights on the extent of, and rationale for, privatization.

The first survey, released by the University of Michigan’s Gerald R. Ford School of Public Policy in November 2014, found that 65% of Michigan’s local governments—and 84% of jurisdictions with over 30,000 residents—outsource one or more services.⁹ Further, 73% of officials from jurisdictions that privatize services reported being satisfied with the results, a finding that notably cut across party lines. Only 15% of jurisdictions that currently privatize services reported ever bringing a previously contracted service back in-house, suggesting that privatization tends to stick once implemented.

Digging further into user satisfaction, the survey found that 78% of officials in jurisdictions that privatize report satisfaction with their contractor responsiveness, with similarly high levels reported for quality of service delivery (77%) and timeliness of service delivery (77%). And nearly two-thirds (64%) of officials reported being satisfied with the cost savings from privatization.

The survey found that the most common services outsourced are attorney/legal services (83%), engineering (51%), solid waste and recycling (45%), property assessment (43%), and inspections (42%).

For officials in municipalities that currently outsource services, the most common factors reported as encouraging privatization were cost savings (58%), a lack of in-house expertise (52%), and a desire to improve service quality (40%). By contrast, for those that do not currently use privatization, the most common factors officials report as discouraging them from doing so were high costs from private service delivery (18%), a lack of available private providers (17%), and sufficient in-house expertise (13%).

The survey results also pointed to a major area of potential improvement, as only 25% of officials reported having any techniques for formal evaluation of privatization efforts in their jurisdictions. And in those jurisdictions, 92% reported using analyses of service delivery costs, but only 68% evaluate contractors' compliance with service delivery standards.

Overall, 69% of respondents felt like their jurisdictions were doing the right amount of privatization (again, with few partisan differences), which may help explain why only 10% of jurisdictions planned to pursue additional privatization initiatives in the coming year, a figure slightly lower than the 12%–15% seen in the most recent annual surveys.

The second survey examines the privatization of non-educational school support services—primarily food, custodial and transportation services—which is a common occurrence in school districts nationwide. The Mackinac Center for Public Policy has conducted an annual survey of local school districts dating back to 2003, and the 2015 edition found record levels of school service outsourcing in Michigan, which has been on a consistently upward trend for over a decade.¹⁰

According to the 2015 survey, the percentage of Michigan school districts contracting out for at least one major non-instructional service hit a record 71%, up from 67% in 2014 and more than double the 33% found in the first 2003 survey. The report found that, among Michigan school districts in 2015, 232 districts (42.8%) contracted out food services, 283 districts (52.2%) contracted out custodial services, and 144 districts (26.6%) contracted out transportation services. In each of the three service categories, there has been a dramatic increase in contracting over the past decade, suggesting a growing comfort with this option among administrators.

Cost savings is the typical rationale prompting the move toward competitive contracting, but a 2014 edition of the Mackinac survey finding may explain why the trend—while slowing—has largely stuck. Overall, 90% of school district respondents reported satisfaction with their private service providers, compared to a 4% dissatisfaction rate; further, this is consistent with a long-term trend of satisfaction that has hovered in the 88%–93% range since 2007.¹¹

Taken together, these Michigan privatization surveys provide much-needed perspective on an issue largely driven on all sides by passionate rhetoric that often obscures real-world experience.

C. Water and Wastewater Public-Private Partnerships Update

Local governments increasingly view public-private partnerships as a viable way to address pressing infrastructure investment needs, given ongoing fiscal pressures at all levels of government. According to a 2014 report from Bluefield Research, the private water market serves approximately 15% of the U.S. population—or 47.8 million customers—and is poised for growth in coming years to help close an estimated \$500 billion to \$1 trillion infrastructure investment gap in the water sector.¹²

1. Public Works Financing Releases 20th Annual Water Partnerships Survey

In March 2016, *Public Works Financing* issued its 20th annual water partnerships report, which offers a snapshot of the current state of the U.S. water/wastewater public-private partnership market.¹³ Overall, the estimated total water/wastewater outsourcing market was \$2.2 billion in 2015, up approximately 5% over \$2.1 billion in 2014.

Four major firms responded to the survey—CH2M HILL, Veolia Water North America, Suez North America (formerly United Water), and Severn Trent—but it does not include major provider American Water, as well as numerous smaller water companies, so the survey data may underreport the true size of the market. Three of the responding firms reported new business in 2015 totaling \$27 million in first-year revenues and \$555 million over the life of the contracts. Additionally, 79 contracts came up for renewal in 2015, of which seven reverted back to municipal control.

Table 1 below details the trend in contract renewals over the last decade. Despite a dip in the industry contract renewal rate in the years 2010 and 2011 that reversed in 2012, overall it has been remarkably steady for the last decade, with renewal rates in most years exceeding 85%.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	TOTAL (2006-15)
Number of Contested Contracts	833	788	117	127	151	147	103	86	98	79	2,529
Contracts Renewed	91.6%	96.8%	94.9%	85.0%	76.8%	64.6%	89.3%	86.0%	93.9%	89.9%	90.4%
Back to City Operations	1.8%	1.9%	5.1%	7.9%	7.9%	18.4%	5.8%	4.7%	6.1%	7.6%	4.2%
Other	6.6%	0.3%	0.0%	7.1%	15.2%	17.0%	4.9%	2.3%	0.0%	2.5%	4.9%

Source: Author calculations using data published in *Public Works Financing*, March 2016 edition.

Overall, nearly 90% of the 2,529 contested contracts reported since 2006 were renewed with the incumbent provider or a competing firm. By contrast, only 4.2% reverted back to municipal operation, indicating that government clients are overwhelmingly satisfied with their current public-private partnerships.

2. Water and Wastewater Public-Private Partnerships News and Notes

Recent years have seen a number of new and noteworthy developments in water and wastewater public-private partnerships:

Nassau County, New York: In September 2014, Nassau County officials signed a 20-year, \$1.2 billion contract with United Water for the operation and management of the county’s three wastewater treatment facilities and its sewage system, which serves a population of 1.2 million on Long Island. County officials expect to save an estimated \$230 million over the life of the contract and improve the system’s operations and performance on environmental standards, which helped the project garner support from an array of community and environmental advocacy organizations.

“This partnership was formed to dramatically improve the County’s ability to protect our environment and the health and well-being of our residents,” Nassau County Executive Edward Mangano said in a press release. “Together with United Water, we will implement unprecedented advances in environmental protection, odor control, management efficiencies, plant aesthetics, and public information.”

United Water is paid over \$57 million annually, adhered to a no-layoffs policy by hiring over 130 former county employees, and is subject to several layers of county oversight to ensure contract compliance. The company also posts operational data and live video feeds from sewer facilities and outflow pipes on its website to improve transparency. The project is among the largest of its kind in the U.S., according to company officials.

Nonetheless, Nassau County officials have even more ambitious plans in the works, having issued a request for proposals in May 2016 seeking a financial advisor for a potential long-term lease of the wastewater system. The 50–70 year deal—which could be worth an estimated \$750 million to \$1 billion and involve the operation of three treatment plants, dozens of pumping stations and thousands of miles of sewer lines—would require the concessionaire to invest in repairs at several facilities damaged by Hurricane Sandy in 2012, as well as make an upfront payment of at least \$600 million to defease current system debt, according to market analyst Inspiratia.com.¹⁴ Bidders would have the ability to retain the current United Water operations and maintenance contract or buy United Water out of the contract.¹⁵

Milwaukee, Wisconsin: In June 2016, the Milwaukee Metropolitan Sewerage District announced a plan to extend its current contract with Veolia North America to continue managing and operating its collection and wastewater treatment system. The new 10-year, \$500 million contract is the largest wastewater PPP in the U.S., and the award-winning PPP serves 1.1 million people across 28 communities. “Veolia has continuously exceeded all regulatory and contract standards,” said District Executive Director Kevin Shafer in a press release. “MMSD believes extending Veolia’s contract is the best approach for our ratepayers and the environment.”

San Antonio, Texas: In October 2014, the San Antonio City Council unanimously approved a \$3.4 billion, 30-year public-private partnership with the Vista Ridge Consortium—a team led by Abengoa Water USA and Bluewater Systems. Under this contract, the team will purchase up to 50,000 acre-feet of water per year from 3,400 landowners in Bureson County that will be conveyed through a new 142-mile pipeline.

The private team will finance, design, build, operate and maintain the new pipeline and related wells, pumping stations, tanks and other facilities. The project is designed to increase the city’s water supply by over 16 billion gallons per year—or 20%, enough to serve 162,000 households—without affecting the environmentally sensitive Edwards Aquifer supply. “With this agreement we are moving from a city perceived to lack water supplies to a city that will ensure economic prosperity for our children and grandchildren,” San Antonio Water System (SAWS) Chairman Berto Guerra said in a press release.

Transparency was a key focus for the water authority throughout the process, including a series of contract negotiation meetings open to the public and 188 different community presentations, meetings and tours.

In May 2016, SAWS voted to approve the sale of 80% of Abengoa’s stake in the project to Garney Construction, a firm with extensive experience in San Antonio-area projects. Financial close on the entire deal is expected later in 2016.

Miami-Dade County, Florida: In March 2015, the Miami-Dade County Water and Sewer Department received 17 responses from a draft request for qualifications seeking industry feedback for a proposed agreement to design, build, finance, operate and maintain a new South Miami Heights Water Treatment Plant. The project is one of the largest in the department’s capital improvement plan and would allow it to decommission a series of smaller, aging satellite plants.

A Value for Money analysis prepared for the department compared a PPP with a traditional procurement and found that the PPP option would have \$33 million in higher direct costs, but would be offset by approximately \$46 million in construction risk avoidance and \$27 million in operating risk avoidance, yielding almost \$40 million in life-cycle cost savings.¹⁶ The department subsequently issued a draft request for proposals to solicit industry feedback, but a formal procurement has not launched yet.

The department is also still evaluating 32 responses from a request for expressions of interest it issued in late 2013 seeking information from interested private parties regarding the feasibility of using PPPs to deliver any of the major projects in the department’s capital improvement plan. The request listed a number of potential projects totaling hundreds of millions of dollars in capital investment, including two new water treatment plants, a new West District wastewater treatment plant, expansion of the South District wastewater treatment plant, four new wastewater pump stations and upgrades.

Detroit, Michigan: A move by former Detroit Emergency Manager Kevyn Orr in March 2014 to solicit private interest in a potential public-private partnership for the operation and maintenance of the city’s water and wastewater systems was rendered moot in October 2014 by a 40-year agreement between the city of

Detroit and Macomb, Oakland and Wayne counties to create a new, regional Great Lakes Water Authority that would provide approximately \$50 million annually to help cover the costs of needed infrastructure improvements.¹⁷ The creation of a new regional water authority was an idea originally proposed by Orr that stalled amid resistance from the counties over the financial structure, but after Orr moved to solicit private bids, the city's bankruptcy judge ordered the two sides into mediation to forge an agreement.¹⁸ Under the agreement, the three counties share regional operation and control of the Detroit Water and Sewerage Department in exchange for \$50 million in annual lease payments to Detroit. The new authority became fully operational on January 1, 2016.

New Orleans, Louisiana: In June 2015, the Sewerage & Water Board of New Orleans (S&WB) announced that it has renewed its partnership with Veolia to continue operating, maintaining and managing the city's two wastewater treatment plants. The 10-year, \$122 million agreement continues one of the largest PPPs in the United States, one credited with generating more than \$35 million in overall savings for residents since its inception in 1992. "Our relationship has produced a stellar record for clean water quality while saving tens of millions of dollars for ratepayers," S&WB Executive Director Cedric S. Grant said in a press release. "Veolia has done much to make the Sewerage and Water Board a strong environmental partner to the residents of New Orleans and produce meaningful results for our community."

New Jersey: Water and wastewater public-private partnerships have garnered increasing interest in New Jersey since the city of Bayonne signed a 40-year concession with United Water and private equity firm Kohlberg Kravis Roberts in 2012 to operate the municipal water system, a deal that included a \$150 million upfront payment and that is expected to lead to over \$100 million in system improvements such as wireless metering, pipe replacement and reduced water loss through leakage.

Developments in recent years include:

- ***Statewide:*** In February 2015, New Jersey Gov. Chris Christie signed into law the "Water Infrastructure Protection Act" (Assembly Bill 3628), which allows most municipalities in the Garden State to sell or lease their water or wastewater systems to other private or public entities without a public referendum (as previously required under state law) if an emergent condition exists, such as being located within an area of critical water supply concern, noncompliance with federal water pollution and safe drinking water laws, inadequate system maintenance, or if the current owner lacks the financial ability for the long-term upkeep of the system. In lieu of a public vote on future privatizations, the legislation outlines a series of process steps required in advance of procurement that include various reporting and public hearing requirements.
- ***Camden:*** In December 2015, Camden officials awarded a 10-year, \$125 million contract to American Water for the operation and maintenance of the city's water and sewer services. A separate American Water subsidiary, New Jersey American Water, currently owns and operates water systems serving one-third of the city; this operation is unaffected by the new contract. "The operations and maintenance contract with American Water Contract Services Group provides increased utility service while reducing costs to the city," Mayor Dana L. Redd said in a press release. "These savings

will help pay for needed system improvements, which will provide better service for our residents and businesses.” The new contract—which replaced a similar contract with United Water—took effect in February 2016.

- *Atlantic City*: In May 2016, the Atlantic City Municipal Utilities Authority board approved hiring Acacia Financial Group as an advisor for a potential long-term concession, though at press time it had not released a formal request for proposals. The authority has been a central piece of the discussion of how Atlantic City emerges from its current fiscal distress, with a former city emergency manager recommending that the city dissolve the authority and restructure and take over operations itself. However, at press time, the city council had rejected a proposed takeover multiple times.¹⁹ This city has been under great pressure from the state to improve its finances—its Division of Local Government Services threatened to dissolve the city’s water authority if it did not submit a plan on liquidating its assets, while Governor Chris Christie signed a bill in May that gives the city until early November to submit a five-year fiscal plan that includes a balanced budget for 2017.²⁰
- *Haddonfield*: In the November 2014 election, over 64% of voters in Haddonfield Borough approved the \$28.5 million sale of the borough’s water and wastewater systems to New Jersey American Water in order to avoid sharp rate increases that would have been needed to modernize the deteriorating systems; some parts of the borough are still served by century-old wooden pipes.²¹
- *Sussex Borough*: In the November 2014 election, voters in Sussex Borough, New Jersey rejected a sale of their water and wastewater systems.²²
- *Millville*: Officials in Millville, New Jersey are considering the possibility of selling the city’s water and wastewater systems as a potential strategy for addressing tens of millions of dollars in needed system upgrades. In April 2015, city leaders scrapped a resolution that would have established a privatization study committee, but instead passed a motion to solicit private bids for the development of a capital improvement plan for the two departments that would identify the costs of keeping the systems under city ownership.²³
- *Bridgeton*: In March 2015, officials in Bridgeton created a special committee to evaluate the potential privatization of the city’s aging water system as a way to lower costs. “We’re anticipating less state aid for municipalities,” Mayor Albert Kelly told the *The Press of Atlantic City* in March. “Therefore, it is incumbent upon us to look at a number of areas to cut services, raise taxes or find other revenue sources to fill the gaps and take care of the needs of the residents.”²⁴
- *Woodbury*: In March 2015, Woodbury’s city council passed a resolution authorizing a procurement to hire a consultant to evaluate the city water and wastewater system’s value, a precursor to potentially selling a system needing significant upgrades. “The city looked at privatization about 10 years ago, but decided against it,” Councilman Bill Fleming told the *South Jersey Times*. “But times are changing, and with the new [Water Infrastructure Protection Act] signed early this year, it’s an easier process.”²⁵

Pennsylvania: Several local governments in Pennsylvania have pursued or explored water and wastewater public-private partnerships in recent years, partially in the wake of Allentown’s approval of a 50-year lease of its water and wastewater systems to the nonprofit, quasi-public Lehigh County Authority in 2013. The city used the \$211.3 million in upfront revenue generated by the lease to pay down underfunded pension obligations and avoid rapidly spiraling annual pension payments—the result of overly generous public safety pension benefits.²⁶

Developments in water/wastewater partnerships in Pennsylvania since early 2014 include:

- *Pittsburgh:* In November 2014, the Pittsburgh Water & Sewer Authority Board of Directors voted for another extension of its private management consulting agreement with Veolia—launched under a one-year contract in 2012—that has secured approximately \$5.5 million annually in cost savings and enhanced revenues, implemented operational efficiencies, and improved safety and customer service.

The Authority originally brought in Veolia to serve as a short-term interim manager and implement its Peer Performance Solutions model, designed to improve executive management and perform a multi-faceted diagnostic evaluation of 10 operational areas. Among the major improvements implemented, Veolia has optimized the Authority’s customer service platform, reducing hold times for customers up to 80%, enhancing the information provided to customers on monthly bills, and expanding bill payment options. In July, the National Council for Public-Private Partnerships awarded its 2014 Public-Private Partnership Service Award to the Authority and Veolia in recognition of the partnership’s accomplishments.

- *Middletown:* In December 2014, the Borough of Middletown, Pennsylvania entered into a 50-year lease of its water and wastewater system with a joint venture of water service provider United Water and international investment firm KKR. Upon closing the deal, the joint venture made an upfront payment of \$43 million to the Middletown Borough Authority—a windfall that is being used to eliminate its existing debt and pension liabilities—and the United Water/KKR team plans to finance another \$83 million for the system infrastructure improvements over the lease term. United Water will operate and maintain the system assets during the 50-year contract, while the Authority will maintain ownership of the assets and will continue to control rates and enforce contractual operating and safety performance standards on behalf of users.
- *Scranton:* In March 2016, the Scranton Sewer Authority approved the sale of its wastewater system to Pennsylvania American Water Company for \$195 million. City officials are hopeful that the move, which includes a \$95 million infusion of cash for the city, will help the city exit the state’s now 24-year designation as being “financially distressed,” the *Scranton Times Tribune* reported.²⁷ Pension liabilities were another driver; the city’s pension funds are collectively only 23% funded, and pension costs are rising rapidly—up from \$3.8 million in 2008 to \$15.8 million in 2015—and threaten to bankrupt the city within five years, according to city and state officials.²⁸

In May 2016, Mayor William Courtright penned an op-ed in the *Times-Tribune*, noting that the deal will yield \$350 million in savings for the next 30 years, or approximately \$7,500 per household.²⁹ The next steps in the process will involve approval from the EPA, DOJ, and the U.S. District Court, all expected to be completed by October 2016.

- *Altoona*: In September 2014, officials in Altoona put on hold a process exploring a potential long-term lease of its water and wastewater systems to generate revenue to pay down debt and exit Act 47—the state’s municipal financial distress designation—status as officials try to work out a similar type of leasing arrangement with the Altoona Water Authority. Earlier in the year, a financial consultant hired by the city projected that a system lease would generate an upfront payment between \$180 million and \$240 million that could be used to defease debt and pay down pension obligations, but public concerns over a potential loss of local control of the system under privatization prompted some city officials to seek an alternate arrangement with the local water authority.³⁰
- *Reading*: A proposal to monetize Reading’s water system to pay off debt and enhance city revenues prompted fears of privatization, leading to the passage of a charter amendment in November 2014 requiring a public vote prior to any asset sale or lease proposal exceeding \$10 million in value. However, city officials continue to explore potential options with the Reading Area Water Authority that could include an Allentown-style lease or an agreement that would increase the Authority’s annual payments to the city.

Washington, D.C.: In May 2014, the District of Columbia Water and Sewer Authority and Washington Aqueduct officials announced the launch of an 18-month contract similar to the Pittsburgh example above and agreements in New York City and DeKalb County, Georgia. Under this contract, Veolia will implement its Peer Performance Solutions joint public-private management model in an effort to achieve \$12 million in annual savings, as well as process improvements and operational efficiencies. Veolia experts will work alongside Aqueduct managers and staff to develop and implement an asset management strategy and performance management system, identify long-term capital improvement projects, and implement a range of other optimizations.

Arizona: In March 2015, the Arizona Corporation Commission gave final approval to a long-term agreement between the Central Arizona Groundwater Replenishment District (CAGRDR)—the groundwater replenishment authority of the Central Arizona Project (CAP)—and Liberty Utilities to build the state’s first-ever reclaimed water recharge facility through a PPP. The project will help CAGRDR meet its legal groundwater replenishment obligations with a 100-year renewable water supply. Reclaimed water from Liberty’s Palm Valley Water Reclamation Plant will be sent to a new aquifer recharge facility to be built in Goodyear, where the water will be pumped into large, shallow basins to replenish the local aquifer and help restore water levels that have declined due to past pumping.

The privately operated project will be built with at least \$1.2 million from Liberty Utilities and at least \$4.8 million from CAGRDR, and it will deliver 2,400 acre-feet of water to CAGRDR annually, which it will pay Liberty \$27 per acre-foot to deliver.³¹ “We think this is an important water management tool, particularly as

we begin conversations about the shortage that may occur on the Colorado River,” CAP Board President Lisa Atkins told the *Arizona Capitol Times* in December 2014.³²

In other Arizona news, officials in Lake Havasu City are considering two proposals—from Guggenheim Securities and iMG Financial Group—that would bring some degree of private management consulting to the city’s water and wastewater systems as a means to lower rates and restructure \$275 million in system debt.³³ The city originally received 12 responses from private firms to a request for information in 2014 seeking ideas on how to better manage the system’s debt—owed to state authorities under relatively inflexible terms—as a means to avoid rate hikes.³⁴

Prince George’s County, Maryland: In November 2014, Prince George’s County entered into a 30-year agreement with Corvias Solutions designed to improve stormwater management and reduce pollution into the Chesapeake Bay. Under the deal, Corvias will manage the design, construction and long-term maintenance of stormwater management systems for up to 4,000 acres, leveraging a \$100 million investment by the county. The initiative is the result of a pilot PPP program led by the county, the U.S. Environmental Protection Agency, and the Maryland Department of the Environment designed to demonstrate the effectiveness of PPPs in addressing complex stormwater challenges.

Fulton County, Georgia: In December 2015, the Fulton County Board of Commissioners renewed its contract with Veolia to operate and maintain the county’s wastewater facilities, a five-year, \$60 million deal. The wastewater facilities serve approximately 200,000 county residents and cover a combined treatment capacity of 40 million gallons of wastewater per day. The county will continue to maintain ownership of the facilities and rate-setting authority.

Poughkeepsie, New York: In April 2016, the city of Poughkeepsie renewed its contract with Veolia to continue managing and operating its wastewater system under a 10-year contract; Veolia has managed the system since 1980. Under the new contract, Veolia will operate, maintain and manage (O&M) the city’s wastewater treatment plant, 10 pump stations, biosolids management, Industrial Pretreatment Program, sludge disposal and stormwater management.

“Through this partnership with Veolia, the city has reduced odor complaints by 85 percent, while maintaining an outstanding record of regulatory compliance—helping to protect the environment and ensure the safety of the community and its citizens,” Joseph Chenier, the city’s assistant civil engineer, noted in a press release. “In addition, Veolia has helped deliver millions in savings by streamlining operational efficiencies and introducing new technology and innovative programs that have generated revenue for the city.”

Veolia is credited with reducing operating expenses for the city by \$170,000 annually and developing a septage receiving program that has generated \$6.6 million in revenues for the city over the last 10 years, helping to offset water and sewer rate increases for residents. Under the new contract, Veolia will also help

lower long-term operating costs through a \$600,000 capital investment to improve the sludge dewatering and odor control systems.

Fort Wayne, Indiana: In December 2014, Aqua America and the city of Fort Wayne, Indiana announced a major deal in which the city will purchase the company's drinking water system assets in southwest Allen County for \$67 million, while entering into an agreement with the firm to treat 1.5 million gallons of city wastewater per day at Aqua America's Allen County wastewater treatment facilities. The deal resolves several years of litigation between the two parties.

Wichita, Kansas: Facing an approximately \$1.6 billion backlog in water/wastewater rehabilitation projects, the Wichita City Council approved a \$1.7 million contract with CH2M Hill in November 2015 to evaluate risk, staffing and asset management related to the city's water and wastewater facilities. Depending on the results of this first phase of work, a second phase to implement the consultant's recommendations through a 10-year program may be forthcoming in 2017. CH2M Hill would have right of first refusal to negotiate a contract with the city in that event, according to *The Wichita Eagle*.³⁵

Columbia, South Carolina: In January 2015, officials in Columbia, South Carolina issued a Request for Expressions of Interest for a potential public-private partnership to operate and maintain the city's water and wastewater treatment systems. The city is currently under a federal consent decree over violations of the Clean Water Act and is responsible for making \$750 million in wastewater improvements over the next decade.³⁶

However, the city council backtracked the following month in response to complaints from privatization opponents, passing a resolution forbidding any consideration of responses that involve selling, leasing or entering into any management or operations and maintenance agreement involving the water and wastewater systems.³⁷

Fayetteville, Arkansas: In June 2014, the Fayetteville City Council unanimously approved a five-year renewal of its contract with CH2M HILL to operate, maintain and manage the city's wastewater facilities, an agreement that has been in place since 1987. "CH2M HILL has demonstrated to our city their commitment to this contract, their passion for the services they provide, and a quality of work that is second to no one," Don Marr, Fayetteville chief of staff, said in a press release. "They are such an integrated part of our team, I couldn't imagine not having their talent and expertise working on behalf of our city, and our citizens."

Ascension Parish, Louisiana: In December 2015, Ascension Parish officials agreed to start negotiations with a consortium—Ascension Environmental LLC—to finance, develop, build, operate and maintain a regional wastewater system to serve the eastern portion of the parish. The deal would involve buying out two existing private wastewater providers as the base from which to start building the regional system. Officials estimate that the partnership would need to tap \$240 million in private capital, as well as an existing \$60 million loan for constructing three new regional treatment plants.³⁸

Vicksburg, Mississippi: In March 2016, officials in Vicksburg received proposals from three firms—ESG, Veolia North America, and Severn Trent Services—for a potential operations and maintenance agreement for the city’s water treatment plant of up to a 10-year duration.³⁹ In July, the city awarded Georgia-based ESG Operations a 10-year contract worth \$7.3 million, with another \$100 thousand reserved for maintenance costs each year, with any leftover funds returning to the city.⁴⁰ ESG had been operating the water treatment plant since the previous July on a temporary basis after the city’s previous water plant director resigned to work for another district.⁴¹

O’Fallon, Illinois: City officials in O’Fallon received responses from three potential bidders for a 40-year lease of the city’s water and wastewater systems to generate a \$50 million upfront payment that would be dedicated to a variety of infrastructure improvements across the city.⁴² However, the fate of the initiative was clouded by the results of two nonbinding referenda defeated by city voters in April 2015.⁴³ The referenda asked voters if they would approve both a sale and a lease of the water system, as well as only a lease, respectively.

Pittsfield, Massachusetts: Officials in Pittsfield have created a task force to analyze the advantages and disadvantages of privatization of the city’s water and wastewater systems, a move prompted by the looming costs of \$40 million in improvements needed at its wastewater plant to meet federal standards for phosphorus discharges.⁴⁴

Arnold, Missouri: In the November 2014 election, 70% of voters in Arnold, Missouri approved a \$13 million sale of its sewer system to Missouri American Water.

Russiaville, Indiana: In November 2014, voters in Russiaville, Indiana approved a \$1.8 million sale of the town’s water system to American Water.

3. Federal Legislation Encourages Water/Wastewater Public-Private Partnerships

A federal law enacted in 2014 may catalyze more private investment in water and wastewater infrastructure in the United States. In May 2014, the House and Senate both passed the bipartisan Water Resources Reform and Development Act (WRRDA) of 2014 (H.R. 3080) by overwhelming margins. The legislation—signed into law by President Obama the following month—created a new five-year pilot program—the Water Infrastructure Finance and Innovation Act (WIFIA)—offering low-interest federal loans and loan guarantees to help finance significant water projects through public-private partnerships (PPPs), lowering the cost of capital for such projects.

Specifically, under the WIFIA program, the Army Corps of Engineers and the Environmental Protection Agency (EPA) are authorized to provide up to \$175 million in direct loans and loan guarantees for the construction of critical water infrastructure projects—such as drinking water systems, wastewater treatment plants, desalination plants, new water supply facilities, levee and flood control projects—including those

delivered through PPPs. Eligible loan/guarantee recipients include state and local governments, corporations, partnerships, joint ventures, trusts, tribal governments, and state infrastructure financing authorities.

Interest rates on WIFIA loans would match those on long-term Treasury bonds, and WIFIA loans could finance up to 49% of project costs for large projects in excess of \$20 million (or \$5 million for projects serving less than 25,000 people), according to an analysis by law firm Mayer Brown.⁴⁵ Municipalities would not be able to use tax-exempt debt to finance the remaining 51% of project costs, encouraging the use of private financing.

The program is largely modeled after the Transportation Infrastructure Finance and Innovation Act (TIFIA) administered by the Federal Highway Administration, which has been used to help finance many transportation PPP projects nationwide, including the Capital Beltway HOT Lanes in northern Virginia, the Port of Miami Tunnel and I-595 expansion projects in Florida, and the North Tarrant Express and I-635 Managed Lanes projects in Texas.

WRRDA also created a separate 15-project pilot program—the Water Infrastructure Public-Private Partnership Program—to evaluate the use of PPPs to accelerate the planning and construction of projects for coastal harbor improvement, channel improvement, inland navigation, flood damage reduction, aquatic ecosystem restoration and hurricane/storm damage reduction to help the Corps address a \$60 billion project backlog.

Potential PPP projects will be evaluated based on their national economic significance and their ability to leverage federal investments to encourage non-federal contributions, use innovative project delivery and cost-saving methods, and involve previously approved projects experiencing delays or schedule slips. To qualify, projects must have unobligated Corps funding balances, and must not have received additional federal appropriations for recapitalization or modernization since originally authorized.

Individual projects will need to receive specific congressional approval and have detailed project management plans. As well, in approved projects the non-federal partner would get full project management control for financing, design and construction (or combinations thereof). The legislation also requires Corps to submit a report to Congress within three years that describes the results of the program and recommendations on whether the program should be expanded.

Two early PPP projects have emerged in the Corps' pipeline:

- The \$1.8 billion Fargo-Moorhead Area Diversion Project is a joint effort between the Corps and the states of North Dakota and Minnesota to control flooding on the Red River. The Corps would build a dam using federal funds, while a private developer would finance the construction of a 36-mile long, 1,500-foot wide diversion channel with 32,500 acres of upstream staging, to be repaid over time through state sources. In July 2016, the mayors of Fargo (ND) and Moorhead (MN), the Flood Diversion Board of Authority, and the Corps signed a project partnership agreement to advance the project. A request for proposals for the PPP portion of the project is anticipated by the end of 2016.

- In June 2016, the Corps and the White River Regional Irrigation Water Distribution District issued a request for information for the \$300 million Grand Prairie Irrigation Project in Arkansas. The project would advance a long-term concession in which a private consortium would finance, build and operate a project blending water supply, irrigation and flood risk management, including the development of 50 miles of canal and 290 miles of buried pipelines, plus related control and metering systems.⁴⁶

The WRRDA was the product of a House-Senate conference committee formed to forge consensus on a single water infrastructure bill after each chamber passed different versions of a water bill in 2013. In an unusual show of bipartisan support, given the current political dynamics in Congress, the WRRDA passed by overwhelming margins in each chamber: 412–4 in the House and 91–7 in the Senate.

Overall, the legislation authorized \$12.3 billion in water-related spending over the next decade—down significantly from the \$23 billion approved in the last water reauthorization in 2007. It also streamlined the environmental review process used by the Corps to accelerate projects and amended the Clean Water Act’s provisions on State Revolving Loan Funds to increase flexibility in their use. The WRRDA received support from a broad range of organizations, including the U.S. Chamber of Commerce, American Society of Civil Engineers, National Governors Association, National League of Cities, Nature Conservancy, and a variety of state, regional and local government entities.

It remains to be seen how much of a boost the WRRDA will give to PPPs regarding water. As the Mayer Brown analysis noted, the WIFIA program is much smaller in scale than the TIFIA program was when it was first enacted as a pilot —\$20 million in first year WIFIA funding compared to TIFIA’s \$80 million back in 1999—despite the larger investments needed nationally in water projects relative to transportation.⁴⁷ Hence, while it represents a symbolic step forward in federal credit support for water PPPs, the WIFIA program appears to be more of a toe in the water than jumping in with both feet.

Further, unlike TIFIA, WIFIA does not allow project sponsors to use tax-exempt debt to cover any portion of the remaining 51% (or more) of project costs, including private activity bonds (PABs). A number of transportation PPP projects over the past decade have relied on both TIFIA and PABs as part of their financing package to minimize the costs of capital. It’s also worth noting that even though TIFIA was modified in recent years to allow it to cover up to 49% of project costs like WIFIA, in practice no project has had more than 33% of its costs covered through TIFIA. It’s reasonable to expect water projects to be treated similarly.

While this restriction on combining tax-exempt debt with WIFIA loans may be less relevant in the current era of historically low interest rates and small spreads between taxable and tax-exempt debt, if rates were to rise significantly in the future, it could affect the financial viability of potential PPP projects. That said, PABs have been less relevant to water projects than to transportation and other sectors, given the current federal cap on states’ use of PABs, which was left intact by WRRDA.

D. Solid Waste Public-Private Partnerships Update

Solid waste and recycling services are among municipal functions that use privatization and public-private partnerships extensively in the United States. Below are updates on efforts over the past two years to expand the private sector role in municipal solid waste service delivery:

Decatur, Alabama: Mayor Don Kyle has delayed recommending a plan to privatize the city’s garbage collection, *The Decatur Daily* reported last September.⁴⁸ Six companies had submitted bids to take over waste collection duties to address a funding gap that Mayor Kyle estimated as putting the full costs per customer close to 60% higher (\$26 per month, not including post-employment benefit costs) than the rates customers were actually being charged (\$16.50 per month).⁴⁹ One firm offered a rate less than half of the estimated costs (\$12.52), but a majority of the city council stood united against the proposal.⁵⁰

As the council rejected the privatization proposal, an aging fleet of trucks and a lack of filled positions have forced greater reliance on private garages for maintenance. As of August of last year, the city had spent nearly twice (\$295,336) its annual budgeted amount of \$160,000 on such repairs.⁵¹

Council members saw privatization as too drastic a change to implement before considering improvements to the existing Department of Sanitation’s operations, while remaining open to considering privatization if other changes fall short: “If the improvements in efficiency and money savings have all been exhausted and it’s still not enough, only then should we consider taking garbage collections to an outside contractor,” Councilman Chuck Ard told *The Decatur Daily*.⁵²

Anchorage, Alaska: The Anchorage Assembly rejected now-former Mayor Dan Sullivan’s proposal to sell the city’s trash collection service in a meeting last May, as reported by Alaska Public Media.⁵³ Assembly members expressed concerns with losing control over the financial aspects of service delivery as a key reason for opposing the mayor’s plan. “I am trying to preserve the public process,” said Assembly Member Amy Demboski. “Frankly, I’m not willing to roll the dice on this one.”⁵⁴

State of Arizona: Last May, Arizona Governor Doug Ducey signed Senate Bill 1187 into law to ensure a level playing field between private firms and municipalities that compete over providing solid waste management services. SB 1187 requires municipalities that seek to conduct collections outside of their own jurisdictions to pay a fee on revenue collected under such arrangements, mirroring what private firms pay in taxes. Legislation passed in 2000 requires municipalities to pay similar fees for “post-collection” activities, such as the operation of landfills and material recycling facilities.⁵⁵

Sonoma County, California: In March 2015, Sonoma County officials unanimously agreed to a 25-year deal, estimated at \$650 million, for Republic Services to maintain the county’s landfill.⁵⁶ A previous attempt to sell the landfill to Republic a decade earlier failed in the face of public opposition.

Republic was somewhat reluctant to accept the deal, due to its proximity to the county's in-house composting facility, which was subsequently closed by a federal lawsuit over runoff in May.⁵⁷ The final agreement shields Republic from such liability.

Whittier, California: In May of 2015, the Whittier City Council voted overwhelmingly to consolidate and privatize trash pickup city-wide.⁵⁸ The city currently uses in-house staff to provide solid waste and recycling services in part of the city and relies on two private vendors for the rest; the new arrangement will outsource all solid waste and recycling city-wide.

“We’re too small,” Councilman Bob Henderson said of the city’s existing operation. We don’t have the economies of scale. Our expenses are high. We’re hopeful we can do better for the city of Whittier.”⁵⁹ Rates are expected to decline under the consolidated contract. Privatization is scheduled to begin when existing contracts expire in 2016. Shortly after announcing the consolidation, the city signed a supplemental contract with one of its current vendors (Republic) as a contingency to counteract potential attrition and increased use of sick leave by employees in the wake of the privatization announcement.⁶⁰

Pitkin County, Colorado: After privatizing recycling services at the landfill here in 2013, as discussed in Reason Foundation’s 2014 *Annual Privatization Report*, the county is moving close to de-privatizing the remainder of the landfill’s operations.⁶¹

Public Works Director Brian Pettet cited privatization as paving the way for the move back to in-house operation, saying that under private management, which has been provided by Heartland Environmental Services since 1999, the landfill has become easier to manage, and the privatization of recycling services has lowered costs at the landfill. Pettet, who had pushed for bids to be submitted in January, by May had felt confident enough that that operations could be handled in-house to discourage private firms from even presenting their bids.⁶²

Critics of the move back in-house pointed to a lack of transparency in the process used to arrive at the decision. In a letter, former County Commissioner Dorothea Farris, who now works in community relations with Heartland Environmental, suggested that county staff were limiting the information seen by elected officials, noting that, “Staff will not allow people to talk to each other without going through the proper channels or protocol. Staff has closed access to you, the elected leaders, and true communication has ceased to exist. Decisions appear to be made behind closed doors, and the (Board of County Commissioners) is not allowed to see the whole picture before making a decision.”⁶³

One area that the county believes it can achieve savings is by purchasing its own equipment, with a projected budget showing at least \$825,000 in savings over the next several years, peaking at \$1.2 million in 2025.⁶⁴ Representatives of the firms who submitted bids see the numbers as unrealistic, due to the assumptions about the effective life of the equipment to be purchased. While the county assumes that equipment will last for 10 years, the bidders saw five to seven years as more realistic.⁶⁵

Curbside recycling services for the county became privatized in 2014 in a contract awarded to Waste Management, discussed previously in the *Annual Privatization Report*. The county noted early this year in a report on its recycling program that the arrangement with Waste Management “has increased collection efficiency, and has resulted in cost savings,” to the curbside recycling program’s and the landfill’s operations.⁶⁶

Naugatuk, Connecticut: In May, 2014, the Board of Mayor and Burgesses voted to privatize the borough’s trash and recycling pickup.⁶⁷ Oakville-based Copes Rubbish Removal is the beneficiary of the five-year contract, a deal expected to save \$485,000 over its duration. Annual operating costs for solid waste and recycling in 2015 were expected to be approximately \$928,000.

New Milford, Connecticut: In June of 2014 then-Mayor Pat Murphy announced she was in the process of forming a committee to explore the possibility of privatizing its recycling center.⁶⁸ The center has been operating in the red in recent years, prompting a need to explore options for cost savings, which Mayor Murphy hoped to find in labor especially. “There are efficiencies (a private contractor) could find. It could have later hours that might work better for some residents. That’s something we can’t do with union contracts” Murphy said.⁶⁹ The six-term mayor lost re-election in November 2015, and of press time, there have been no reports over whether new mayor David Gronbach will explore privatization.⁷⁰

Newark, Delaware: Privatization of trash collection was unanimously rejected in October of 2015, after several city administrators recommended outsourcing trash collection services to a private firm a few months earlier.⁷¹ Republic Services, a Phoenix-based company that already serves nearly 30,000 customers in Delaware, had been selected in a bidding process. Its proposal was expected to save the city close to \$5 million over the duration of the seven-year contract.⁷²

Hialeah, Florida: Last June, the Hialeah City Council unanimously supported an eight-year contract with Progressive Waste Solutions to provide the city’s garbage collection services.⁷³ The roughly \$54 million contract is projected to save around \$17 million over its life, according to Mayor Carlos Hernandez.

The deal is the final step in a move toward privatization that has gone on for several years. In December 2013, the city prepared a 35-acre parcel of land so it could eventually be leased to a private trash collector.⁷⁴

South Miami, Florida: In August 2014, South Miami city commissioners rejected a proposed agreement to privatize the city’s solid waste services in order to save an estimated \$600,000 on an annual basis.⁷⁵ South Miami’s city manager had negotiated an arrangement with Waste Pro to have the city piggyback onto an existing contract the firm has with the Village of Biscayne Park.

North Miami Beach, Florida: After years of failed votes and strong public union opposition, North Miami Beach agreed to privatize its sanitation department, including its garbage and recycling collections in August 2015. The city council’s decision will allow the city to save an estimated \$2.5 million per year, while avoiding a proposed three-year rate hike of around 38%.⁷⁶

Macon, Georgia: The Macon-Bibb Commission voted 5–3 last November to privatize garbage collection services for the section of the county that was the city of Macon prior to a 2012 consolidation with Bibb County, along with a rate increase for county residents.⁷⁷ Advanced Disposal began serving the new areas in January 2016. The majority of its collection trucks will be operated by compressed natural gas (CNG), each costing up to \$40,000 dollars less than diesel modes, the company noted in a press release.⁷⁸

Honolulu, Hawaii: This May, the Hawaii Supreme Court confirmed a lower court decision finding that the city’s 2015 privatization of garbage collection was unlawful.⁷⁹ The Hawaii Supreme Court said, citing a 1997 Court ruling, that privatizing services done traditionally by civil servants violates the State Constitution.

Following the ruling, in early June, the United Public Workers, AFSCME Local 646, and the AFL-CIO union entered new agreements with the city, county, and island of Oahu to restore all services that had been privatized and expand front loader collection services, the website *Waste360.com* reported.⁸⁰

Key to the decision to privatize in the first place were the finances of the front loader program, which provides services to some customer locations for free.⁸¹ Given that Honolulu’s front loader fleet was aging, and no funds were provided to replace them by the city council, Lori Kahikina, director of the Honolulu Department of Environmental Services, saw ending the program and privatizing the services as a way to regain firmer financial footing. Ending the front loader program would have required all customers to pay for the privatized service, while also freeing the city from having to acquire and maintain vehicles on its own.

Previous attempts to recoup some costs of the program by charging all previously non-paying customers were given little consideration. “We were asking for \$10 a month, but it got shot down. It didn’t even get to a hearing for the city council,” recalled Kahikina.⁸²

Honolulu may have to rely on private services for its front loader program anyway, she noted. “As (the front loader trucks) start breaking down, we won’t be able to service the accounts right now,” added Kahikina.⁸³ “Yes, I might have to do an emergency procurement because we can’t not pick up the trash. We have to find another way whether it’s emergency procurement or not.”

East Moline, Illinois: Plans to privatize the city’s garbage collection services were interrupted after the American Federation of State, County, and Municipal Employees filed a complaint alleging that the agreement had not been made in good faith, *QConline* reported last June.⁸⁴ An administrative law judge’s ruling in early March 2016 sided with the union, saying that the city should have negotiated with its workers before looking to privatize, even though none of the workers would have lost their jobs over the privatization, *NPR* reported.⁸⁵

Indianapolis, Indiana: In February, an Indiana Court of Appeals ruling voided a long-term deal made by the city with Covanta for waste management services and the construction of a new recycling facility.⁸⁶

The ruling reverses a lower court decision that argued plaintiffs had no standing to sue. The appeals court found the contract violated state laws in two ways. Citing a 40-year limit on state contracts, the extension would lengthen the original contract for trash incineration, signed in 1985, to beyond 40 years, to 2028. The city disputed this, saying 1989 should have been the base year, which was when the city's trash facility was first fully operational, putting the contract under the threshold.

Secondly, the court ruled that the contract should have gone through a competitive bidding process, as opposed to being treated as an extension, since the deal includes much more than an extension of existing contracts, such as the construction of a \$45-million recycling facility.

Prince George's County, Maryland: Prince George's County officials are coming close to a final decision on choosing a firm to develop a solid waste and energy production facility for the county. Seven teams have been selected to compete for the contract.⁸⁷

The county is considering a 20-year agreement with the winning firm, extendable for up to 10 years in five-year increments. The Request for Proposals Date is set for the first of September this year.

Fall River, Massachusetts: As of July 1, Fall River's trash pickup service is now provided by private company EZ Disposal Service for the next 10 years, with early positive feedback.⁸⁸ The privatization plan, announced in April by Mayor Jasiel Correia II, was the subject of intense debate.

At issue was whether the city bargained with workers in good faith in making the move to privatization, after negotiations with workers failed in April.⁸⁹ The union of the sanitation workers—the Teamsters Local 251—led the charge, but in early June, 24 workers received termination notices saying that June 30 would be their last day working for the city. Several residents filed a lawsuit against the measure challenging the legality of the contract and requesting a restraining order to stop the privatization, but the request was denied by a superior court judge a week before EZ Disposal's first day of collection on July 1.

Mayor Correia says that the contract is projected to save the city \$8 million to \$9 million over 10 years, including \$1.5 million in fiscal year 2017. The contract's payments to EZ will increase each year, from \$3.3 million to peak at \$5.1 million in its final year.⁹⁰

Madison County, Mississippi: In March, the county selected Waste Management to provide trash pickup for the next five years. The bid provided by the company reflects a 20% reduction in costs per household, and is expected save over \$300,000 in the first year, while also freeing up a half-million in fee revenue.⁹¹ Waste Management is looking to hire on former county employees and plans on interviewing all of them for positions that would include a 20% raise.⁹²

Santa Fe, New Mexico: While there was a recent attempt to privatize the city's recycling services, the Santa Fe Waste Management Agency decided it will continue providing services for residents. This decision came after the Agency rejected bids from private contractors to handle the service.⁹³

With the city facing a budget shortfall of \$15 million, a recent report recommended privatizing many services, including trash collection, but the chair of the city’s Finance Committee, Carmichael Dominguez, is highly critical of such a move, the *Albuquerque Journal* reported in January.⁹⁴

Toledo, Ohio: In October 2015, the Toledo City Council overwhelmingly approved a new, decade-long contract with Republic Services. The contract comes after months of negotiation between new Toledo Mayor Paula Hicks-Hudson, Lucas County officials, and representatives for Republic.⁹⁵

In 2014, then-Mayor D. Michael Collins had eyed moving back to in-house trash pickup, after the city first privatized trash collection with Republic in 2011.⁹⁶

Lower Merion Township, Pennsylvania: In November 2014, after considering three options for privatization of trash collection and operations, the township ultimately decided to outsource its trash collection and transport to Covanta Plymouth, leaving the operation of the community’s waste transfer station in-house. The new contract will reduce trash movement and disposal costs by as much as \$5 per ton, while allowing a flat-fee structure for customers.⁹⁷

E. Zoo and Animal Shelter Public-Private Partnerships Update

Public-private partnerships between governments and nonprofit entities to operate and manage zoos and animal shelters are commonplace today, given that they tend to be viewed as a non-core government competency and face major competition for public funding relative to other areas, such as public safety and public works. The vast majority of accredited municipal zoos and aquariums in the United States are operated through public-private partnerships—including those in major cities like New York City, Philadelphia, Chicago, Houston, Phoenix, San Diego and Dallas. Similarly, local governments have increasingly turned to nonprofit animal shelter operators in recent decades as a way to lower costs, improve adoption rates and reduce euthanasia rates.

Below are some highlights from recent efforts to privatize zoos and animal shelters:

Ketchikan, Alaska: An RFP closed in late June to improve the Gateway Borough’s Pat Wise Animal Shelter, according to the Borough’s website.⁹⁸ In early 2015, the Borough’s Assembly recommended privatizing the shelter so it could undergo renovations, or a new facility could be built.⁹⁹ There were no further updates to the bidding process as of press time.

Los Angeles, California: Facing a month-end deadline in September 2014, the Los Angeles City Council voted unanimously to turn over the zoo’s marketing and promotion functions to its nonprofit, the Greater Los Angeles Zoo Association (GLAZA).¹⁰⁰ The move serves as a way to avoid having to rely more on the city’s

general fund for its funding, allowing a dramatic increase in the zoo's marketing budget—\$2.5 million annually as opposed to the \$800,000 the zoo received in 2014.¹⁰¹ As the *2014 Local Annual Privatization Report* noted, the privatization of marketing functions for the zoo was first pursued as a separate issue back in 2012 after a larger attempt to privatize the zoo's entire operations failed when GLAZA and the city reached an impasse with city officials.

Palo Alto, California: The city is looking to privatize its animal shelter and services in a public-private partnership, a process started in 2014.¹⁰² Its shelter has required infusions of cash from the general fund in recent years, while the city of Mountain View's decision to end its relationship with the city for those services made finances even more difficult. In May 2015, the city approved \$250,000 for City Manager James Keene to study the matter further, and in October, the city issued an RFP.¹⁰³ Although seven organizations showed some interest, only Pets In Need issued a full response, prompting another RFP in early 2016, after input from debrief sessions from some of the organizations expressed concerns that the original RFP was too prescriptive.¹⁰⁴ Three organizations responded to the second RFP—Pets In Need, the Humane Society of Silicon Valley, and the county of Santa Clara—which closed at the end of March.¹⁰⁵ As of press time, there were no more developments.

San Bernardino, California: In August 2014, city officials advised against accepting either bids from two private entities to operate the county's animal shelter and animal control services.¹⁰⁶ The preferred bidder, Upward Dog Rescue, did not include field services, which means the city would have to provide them.¹⁰⁷ In addition to a 2012 bankruptcy filing, the city sought privatization to help with issues of overcrowding and high euthanasia rates, but in June 2015, the *Sun* reported that those metrics improved after in-house changes were implemented.¹⁰⁸

Rock Island County, Illinois: Officials are considering the privatization of the popular county-run Niabi Zoo.¹⁰⁹ Donors favor a private arrangement, raising concerns over the county's finances, which led to the zoo losing its accreditation. In December, an editorial in the *Quad-City Times* said that a public-private partnership would not be enough, recommending full privatization or to shut down the attraction.¹¹⁰ The county hopes to get the zoo's accreditation back by 2017.¹¹¹

Baton Rouge, Louisiana: An agreement over the \$110 million rebuild of the city's zoo remains elusive, with a final decision likely to come no earlier than Election Day.¹¹² Location continues to be a major concern. While Philadelphia-based zoo consultants Schultz and Williams recommended a move to the south part of the parish to the BREC Board, the group that oversees parks and recreation in the East Baton Rouge Parish, to attract more visitors, LSU landscape architecture graduate students presented a separate plan to keep the attraction at its present location.¹¹³ Still others question a need for the zoo at all, as New Orleans' Audubon Zoo is only 90 miles away.¹¹⁴

Providence, Rhode Island: In January, the city inked a new 20-year lease agreement with the Rhode Island Zoological Society to manage its zoo.¹¹⁵ The city expects to save \$9.5 million over the term of the agreement, due to the Society's absorbing many of those costs.¹¹⁶ The city hopes to eventually stop funding

the zoo from its general fund, with the Zoological Society agreeing to take smaller amounts in recent years.¹¹⁷

Milwaukee County, Wisconsin: In April 2015, a 10-year contract awarded to Service Systems Associates (SSA) to privatize concessions services for the zoo was withdrawn before receiving a full vote before the County Board of Supervisors.¹¹⁸ At issue was an exclusivity clause barring local caterers from all but 10 events annually, prompting a vote to not recommend the contract.

In 2014 the Milwaukee County Zoo received six bids on a potential five-year concession for the provision of food services, catering, and retail operations.¹¹⁹ The 10-year contract was expected to provide \$10 million in capital improvements over its term, while also providing a \$150,000 boost in marketing over its first five years and estimated annual commission payments to the zoo from \$1.45 million to \$1.7 million over its first three years.¹²⁰

F. Local Government Privatization News and Notes

Alabama

Mobile: In May 2015, the city awarded a new contract for mowing many of its right-of-way ditches.¹²¹ The measure passed the city council unanimously, and will have Best Price Mowing Services handling mowing in three different regions of the city.¹²² The move follows a successful bidding and contracting process in 2014 to handle mowing on some of the city's busiest thoroughfares, where contracts to three different firms were awarded unanimously after receiving bids from 21 different firms. The plan increased the frequency of mowing for both thoroughfares (to once per week from once every three weeks), and ditches (to once a month from once every five months).¹²³

Arizona

Phoenix: In October 2014, the city of Phoenix approved a 30-year lease with the private Grand Canyon University to take over the management of the city-owned Maryvale Municipal Golf Course, which ran a \$250,000 deficit under city management during the last fiscal year. Under the deal, the university will take on all operating costs and invest \$8 million into course repairs and an upgraded clubhouse, and it will make payments to the city at 10% of net revenues after it recoups its upfront investment.¹²⁴ In recent years, Phoenix officials have been seeking alternate management solutions for city-owned golf courses to reduce taxpayer subsidies after the courses racked up millions in operating deficits over the past decade.¹²⁵

Yuma: In August, 2015, the *Yuma Sun* reported that the city-owned The Hills Restaurant Patio and Bar will be operated by Alex Trujillo and the Chef Alex Group, LLC.¹²⁶ The city had taken over operating the restaurant following the departure Frank Maisano in April, only six months into a five-year contract, the *Sun* previously reported.¹²⁷ The move to privatize the restaurant's operations started in 2014 after city council members started questioning the purpose of having the city compete with local businesses, while also spending \$250,000 in taxpayer funds to renovate the space in order to better attract businesses to operate the restaurant, which sits on the Desert Hills Golf Course. In the original request for proposals in 2014, Maisano was the only bidder.¹²⁸

California

Los Angeles: The city is currently looking to the private sector to expand its Convention Center in a public-private partnership, posting a Request for Information in April 2016.¹²⁹ The city had previously selected HMC Architects and Populous to design the project last June.¹³⁰ The city is considering both conventional financing and design-build-finance-operate-maintain (DBFOM) delivery models. A final decision on the Convention Center's fate may occur later this summer.¹³¹

In 2013, the city hired AEG, which also operates the area's Staples Center, to handle the convention center.¹³² In 2014 and 2015, the Convention Center reported its first two profitable years ever, results largely attributed to the AEG contract.¹³³

San Diego: San Diego Mayor Kevin Faulconer announced in June 2014 he would be implementing a consultant's recommendation on ways to streamline the city's managed competition (public-private competition) process, which has been criticized for being cumbersome and discouraging of private sector interest.¹³⁴ Since the city's managed competition process was approved by voters in 2006, the city has only implemented four competitions, all won by city workers—publishing services, street sweeping, landfill operations, and fleet maintenance—combining to save an estimated \$9 million annually.¹³⁵ The city hired a consulting team that included former Indianapolis Mayor and managed competition pioneer Stephen Goldsmith to review the program. The team's analysis recommended that the city adopt San Diego County's streamlined managed competition model, a 10-step process, compared to the city's current 22-step process.¹³⁶

Long Beach: In December 2015, the city council unanimously approved a plan to build a new Civic Center to be financed with a public-private partnership.¹³⁷ Plenary Edgemoor Civic Partners, a consortium made of equity firms Plenary Group and Edgemoor Infrastructure and Real Estate Services, Johnson Controls, and Clark Construction, produced the winning bid. The \$520 million project will include a new city hall, Port of Long Beach headquarters, a main library, a redesign of the city's Lincoln Park, and a new plaza connecting the government buildings.¹³⁸ The consortium closed on the agreement in April of this year.¹³⁹

San Bernardino: In May 2015, the city released an initial bankruptcy exit plan that relied heavily on outsourcing services to private firms. Pension obligations were a major contributor to the decision to enter bankruptcy, as such obligations were projected to take up one-fifth of the city's finances in the next few years.¹⁴⁰ Included in the plans for privatization were the city's fire department and emergency medical services, though a court ruling in July forced a round of negotiations with the city workers to take place.¹⁴¹

This May, the city filed the latest revisions to the plan, which included several changes. Instead of privatizing its fire services, the city approved being annexed into the San Bernardino County Fire District, which provides fire services outside of city boundaries; this change will be funded by a \$148 annual tax on each parcel of land. Additionally, the plan relies on savings from a recent contracting out of the management and maintenance of the city's soccer complex, as well as planned privatizations of business license administration, vehicle fleet maintenance, custodial maintenance, and graffiti abatement.

Orange County: Many of the cities in the county are looking to restructure the county's fire services, with privatization being an option. The county Fire Authority's balance sheet for the fiscal year ended in June 2015 showed a budget deficit of \$169 million, mostly as a result of pension liabilities.¹⁴²

The push follows a few unsuccessful privatization attempts by the county over the past few years. In 2014, a proposal to allow the county to privatize more of its work functions failed, though the transit authority did sign a contract earlier in the year to allow up to 40% of its bus drivers to be employed by private sector firms.¹⁴³ And in 2013, the county attempted to privatize emergency services at John Wayne International Airport, after a bid submitted by a private firm reflected a 50% decrease in costs. After resistance from county firefighters, who argued that private firms are incapable of handling those services without relying on the Fire Authority's resources, the plan was abandoned.¹⁴⁴

Costa Mesa: In January, city officials were looking to restructure the way the city handles medical emergencies, but will keep the existing system in place for now.¹⁴⁵ Currently, when there is an emergency, two ambulances (one city-owned, one private) and a firetruck arrive on the scene. The private ambulance always transports the patient, followed by the city-owned one.

Despite widespread agreement that the system could be operated more efficiently, council members cannot agree on specifics, with some members wanting to outsource the entire operations to a private company, while others want to enter into a partnership with the county.¹⁴⁶

Redding/Shasta County: In June, Library Systems & Services signed a contract extension to provide operations and technical and strategic support for Redding and Shasta County until 2021, the company noted in a press release.¹⁴⁷ The relationship has benefited the city and county in terms of annual traffic and finances: While the average California county spends nearly \$50 per capita on its libraries, Shasta and Redding spend a little over \$12; the county and city receive 12 visits per capita to their libraries compared to the California average of a little over five.¹⁴⁸

Moreno Valley: As discussed in Reason Foundation’s *Annual Privatization Report 2014*, the privatization of the city’s libraries in 2013 has been successful so far. In about a half-year after privatization the library has expanded its hours and its collections have grown, even while the annual budget has decreased close to 30%—from \$2.5 million to \$1.8 million.¹⁴⁹

Upland: In May 2014, the Upland City Council voted unanimously to enter into a public-private partnership with the Maryland-based Library Systems & Services Inc. to operate the Upland Public Library. The city expects to save \$1 million over the five-year contract, while increasing the hours of operation by 24%, allowing the library to open seven days per week and more than doubling the book and materials budget.¹⁵⁰ “After a lengthy dialogue with our community and input from a citizens’ task force, the City Council was confident moving forward with a solution which provides more opportunities for library patrons, staff and volunteers while conserving taxpayer dollars,” Upland City Manager Stephen Dunn noted in a press release.¹⁵¹

In July of 2015, the *Inland Valley Daily Bulletin* reported that LSSI, the company that runs the library, has made improvements in spite of funding from the city falling well short of the amount requested.¹⁵²

Mendocino County: The private contractor for the county’s adult mental health services, Ornter Management, announced that it is leaving the county in July.¹⁵³ The move came a month after the Board of Supervisors instructed the company to implement a list of recommendations by Kemper Consulting Group to address shortcomings in service delivery and the company’s failure to deliver promised electronic medical record systems, or else the county would rebid the contract.¹⁵⁴

As discussed in the *Annual Privatization Report 2014*, the Board of Supervisors voted unanimously in May 2013 to award Ornter a \$6.7 million dollar contract to provide mental health services for adults (21 years old and above) in the county, while Redwood Quality Management Company received an \$8.8 million dollar contract for child mental health services. In addition to costs, the county sought to provide greater access, follow-up time, and to reduce wait times.¹⁵⁵

In April, the contract for Ornter was amended for Redwood to take over adult mental health services until a new contract can be awarded.¹⁵⁶ Kemper Consulting will be involved through the RFP process, with hopes of completing a new contract by July 2017.¹⁵⁷

Palo Alto: When the city and its workers’ largest union, SEIU Local 521, reached an impasse in August 2014, the city’s Finance Committee recommended partial privatization as a means to save \$649,000 annually.¹⁵⁸ As a result, the city outsourced a large portion of its street sweeping to Contract Sweeping Services in October 2014 and, in June 2015, approved a measure to hire the private firm Serco, Inc. to handle its parking enforcement.¹⁵⁹ The \$1.5 million parking contract is part of a wider transformation of the city’s parking services, which includes expanded enforcement areas and a new permit system.¹⁶⁰

Kern County: Privatizing the county’s libraries may be back on the table after a ballot measure for a new library tax failed in June 2016. The tax proposal did achieve a small majority of votes (50.7%), but was well short of the two-thirds majority needed to pass.¹⁶¹ If passed, the one-eighth of a cent sales tax would have been expected to generate \$15 million per year. The tax proposal arose in response to reports of the county’s plans to consider privatization in a proposal submitted by Library Systems & Services, Inc., a Maryland-based company.¹⁶²

Santa Barbara: After privatizing greens maintenance in March of 2015, the city approved an additional contract with Santa Barbara Golf LLC, a subsidiary of CourseCo, Inc., for management and operations of the city’s golf club.¹⁶³ The greens maintenance contract is projected to save the city \$200,000 per year,¹⁶⁴ while the management and operations contract is projected to save \$300,000 per year.¹⁶⁵

Riverside County: In November 2014, the Riverside County Sheriff’s Office signed a 10-year contract with NaphCare, Inc. to provide its electronic health record system at five correctional facilities and three juvenile halls in Riverside. The system will allow these locations to “self-audit services on a daily basis,” and “create a link with the current jail management system sharing information between the pharmacy, lab and radiology services, and other specialty providers,” according to the NaphCare press release.¹⁶⁶ The contract began December 1, 2014, and is valued at roughly \$9.4 million.¹⁶⁷

Connecticut

New Haven: Last June, officials in New Haven and seven neighboring communities agreed to contract out their emergency dispatch services to American Medical Response after the cities voted to disband their previous in-house arrangement.¹⁶⁸ Back in April, paramedics had been conducting demonstrations over working conditions, but under the new arrangement the paramedics’ union approved a new labor contract with American Medical Response in May of this year, according to a press release.¹⁶⁹

Waterbury: Last May, the city’s Board of Aldermen voted 13–1 to approve a six-year contract for Northwest Connecticut Public Safety Communications Center, Inc. to provide EMS dispatch services for the city.¹⁷⁰ The \$17 million contract, which began this year, is projected to save the city nearly \$2 million annually in operations, while also reducing exposure to lawsuits, which could save up to an additional \$10 million.¹⁷¹

Florida

Miami: Echoing the public-private partnership resolution passed by the Miami-Dade County Board of Commissioners a year earlier, in July of 2014 the city of Miami adopted a PPP ordinance, signaling the future use of PPPs in south Florida.¹⁷² Both moves came on the heels of the passage of state legislation (House Bill 85) in June 2013 that authorized municipalities, counties, school boards and other political subdivisions to use PPPs to develop a wide range of facilities, including schools, public buildings, ferries,

mass transit facilities, parking facilities, port facilities, power generation facilities, oil or gas pipelines, medical or nursing care facilities, water/wastewater facilities, recreation facilities and more.

Miami-Dade County has also created a task force dedicated to establishing PPP policy agreements. Among its recommendations are a four-step process for forming PPP proposals and advocating for “interim agreements,” which allow companies to enter into short-term, nonbinding agreements with the county to start planning a project while a recommendation to the mayor is also being formulated.¹⁷³

Additionally, after 65% of voters rejected a 2014 referendum to issue bonds to finance a new courthouse, the county created the Miami-Dade Court Capital Infrastructure Task Force.¹⁷⁴ Last November, the task force recommended that the county consider a PPP to build a new courthouse, expected to cost roughly \$400 million. A final report by the task force issued in February further recommended outright replacement of the Flagler Street building, which was built in 1925, citing over \$110 million in repairs and improvements that would be required, at minimum, to keep the building functional.¹⁷⁵

In June, the County Commission approved a resolution calling for the creation of a second Miami-Dade Court Capital Infrastructure Task Force—essentially asking the previous task force members to undertake a more detailed analysis of the original group’s recommendations—that would conclude its work by January 2017 with a report issued to the Board of County Commissioners.¹⁷⁶

Orange County/Orlando: To transition its LYNX bus fleet from diesel to CNG, Orlando used a PPP to construct and operate the nation’s largest public-private compressed natural gas (CNG) fuel station. Nopetro of Florida built the refueling facility, while also renovating and upgrading the existing maintenance station on the six-acre complex. In accordance with the PPP, Nopetro will operate the facility, which opened in April.¹⁷⁷

A bill proposed in the Florida Legislature last year would have required the Central Florida Regional Transportation Authority to consider bids to privatize the operations of the LYNX bus service. This year, the sponsor rewrote the bill (HR 155), thereby removing that requirement.¹⁷⁸ Instead, Representative Bob Cortes (R- Altamonte Springs) will wait for a legislative study to be released in the fall before requiring any further action.

Manatee/Sarasota Counties: In March, the private company Ride Right took over the Sarasota County’s paratransit services (SCAT Plus).¹⁷⁹ The contract is worth \$18 million over three years, and is expected to save about \$600,000 per year.

Additionally, the private company Transdev sent an unsolicited bid, which was being put on hold at press time, to privatize the transit operations of both Sarasota and neighboring Manatee Counties. The company offers potentially \$2.5 million in annual savings, derived in part from consolidating the two counties’ transit operations entities.¹⁸⁰

Marion County: In May 2014, officials in Marion County, Florida received an offer from Corrections Corporation of America (CCA) for a 20-year, \$50 million sale-leaseback arrangement for the 1,900-bed Marion County Jail facility. Under the proposed deal, the county would receive a \$50 million upfront payment from CCA and would make annual lease payments to the company; the county sheriff would continue operating the jail during that time.¹⁸¹ There were no updates available at press time.

Hillsborough County: In September 2014, the Hillsborough County Sheriff's Office announced plans to cut ties with Armor Correctional Health Services, which provided correctional health care services to its jail facilities for roughly a decade.¹⁸² Instead, the county awarded a \$20 million contract to NaphCare, which began providing health care services at the county jails on October 1, 2014. According to Col. Kenneth Davis, who oversees jail operations in the county, "NaphCare just had a better model ... for the delivery of health care. They are quick to identify and treat the needs of inmates."¹⁸³ In addition to providing health care services, NaphCare will use electronic medical records; previously, the sheriff's office was using a paper system.¹⁸⁴

Additionally, the county sought bids in early 2015 for private probationary services, with California-based Sentinel Offender Services submitting the winner.¹⁸⁵ In October of that year, however, the county commission decided unanimously to keep services in-house.¹⁸⁶

Osceola County: In October 2014, Osceola County commissioners voted to approve a five-year contract with Armor Correctional Health Services to provide health care services at the Osceola County Jail. The \$21.8 million contract projects a savings of \$677,000 over its duration.¹⁸⁷ Armor began providing correctional health care services to inmates at the county jail in November 2014.

Pinellas County: The Pinellas County Sheriff's Office terminated its correctional health care contract with Armor Correctional Health Services in May 2014, well ahead of its scheduled 2015 end date. County Sheriff Bob Gualtieri cited "operational concerns" between the jail management and Armor staff. Moreover, Armor was fined more than \$150,000 between March 16 and March 31, 2014, for "failing to provide timely medical care to inmates."¹⁸⁸

St. Johns County: In August a new CNG filling station resulting from a PPP contract between St. Johns County and Nopetro opened.¹⁸⁹ The news follows a series of contracting issues that caused significant delays late in 2015.¹⁹⁰ The county unanimously selected Nopetro as a partner in November 2014, which this year opened the nation's largest CNG station near Orlando (see "Orange County/Orlando" section above) and operates many similar projects throughout the state, as a partner in a PPP to build and operate a CNG refueling facility in the county.¹⁹¹ Nopetro provided all of the estimated \$3 million in capital investments needed.

Volusia County: In October 2014, Volusia County announced that it had ended its 10-year correctional health care contract with Corizon and switched vendors. The county signed a three-year, \$25 million contract with Armor Correctional Health Services to provide correctional health care services at the county jail. The county will pay \$8.2 million for the first year, increasing to \$8.5 million by 2017.¹⁹²

Georgia

Atlanta: A few years after a report from consulting firm KPMG recommended doing so, MARTA officials voted unanimously to privatize the operations and maintenance of its paratransit services fleet in November of 2015, reported *The Atlanta Journal Constitution*.¹⁹³ In a three-year deal expected to save \$1 million to \$2 million per year, MV Transportation will be responsible for operating the service and maintenance of MARTA’s paratransit service, which includes meeting performance metrics such as reducing customer complaints and being on time at least 90% of the time. Management and ownership of all facilities and vehicles will remain in-house.¹⁹⁴

In other Atlanta news, Mayor Kasim Reed announced in May 2016 that the city will not renew its current parking enforcement contract with PARKatlanta and will instead put those services out to bid. The move comes in response to consistent complaints by residents over the past seven years of the contract that the firm is overly aggressive in enforcement and insufficiently attentive to ticket protests.¹⁹⁵ PARKatlanta guarantees over \$5 million in annual revenues to the city as part of its contract requirements.

Barrow County: Back in November 2014, in a 4–3 vote, the county rejected a proposed contract with CH2M Hill that would have privatized many of the county’s services.¹⁹⁶ The contract would have affected the roles of 104 employees in 11 different departments, with only Public Safety, Animal Control, and the Tax Assessor’s Office not being affected. According to CH2M Hill representatives, the deal could have provided approximately \$4.6 million in benefits—nearly \$2 million in savings and \$2.7 million in added revenues.

In March 2016, the *Government Fleet* reported that Interim County Manager Jimmy Terrell was looking to outsource maintenance of the county’s fleet vehicles, citing lack of funds for new equipment and training, while allowing all current employees to keep their jobs.¹⁹⁷

Seminole County: The county voted in June 2014 to privatize its EMS, selecting Mid-Georgia Ambulance.¹⁹⁸ The company, which has since been renamed Community Ambulance, has provided private EMS in Georgia for nearly 40 years, and currently operates in 10 Georgia counties, according to its website.¹⁹⁹

Illinois

Chicago: The \$2.8 billion acquisition of the Chicago Skyway by a trio of Canadian public pension funds reached financial close in February 2015, with the city of Chicago benefitting from a \$28 million windfall resulting from application of the city’s real property transfer tax to the transaction, according to the *Chicago Sun-Times*.²⁰⁰ A Macquarie and Cintra-led consortium entered a 99-year lease of the Chicago Skyway in 2005—taking over operations and management of the government-run toll road from the city in exchange for a \$1.8 billion upfront payment—but the parties announced an intention last June to sell their remaining

interest in the lease. Last November, the Canada Pension Plan Investment Board, Ontario Municipal Employees Retirement System and Ontario Teachers' Pension Plan agreed to purchase the Skyway Concession Co., and the parties will adhere to the terms of the original lease for the remaining 88 years of its duration.

The Skyway and other prominent Chicago asset lease pursuits over the past decade—in particular the widely panned 2008 lease of the downtown parking meter system and the failed attempt to enter a long-term lease for the operation of Midway Airport—have been seen as controversial by policymakers and citizens alike, prompting calls for years to put in place more stringent requirements on how future asset lease decisions are made. This culminated in the passage of a city council ordinance in November 2015 designed to increase transparency and accountability in city privatization deals.

The Privatization Transparency, Accountability, and Performance Ordinance (PTAPO) contains many provisions designed to achieve those ends, including a 90-day review period for both city council and public, independent monitoring, public hearings and cost effectiveness studies for every privatization proposal, and city oversight of transactions.²⁰¹ PTAPO also establishes an “Intergenerational Fairness Fund,” where leases of 30 years or greater will require 10% of the city’s lease proceeds to be transferred into a fund that cannot be spent until half of the lease term is over, or a 75% majority of the city council votes to do so.²⁰²

In other Chicago news, the Chicago Infrastructure Trust (CIT) released an RFQ in April for a PPP that aims to modernize the city’s street lighting by replacing all high pressure sodium bulbs with LED bulbs and improving its control network to address outages more promptly. CIT planned to have a shortlist by the end of June, but as of press time no news had surfaced of one being finalized; officials hope to make a final selection before the end of the year.²⁰³

North Riverside: In late March, a ruling by an administrative law judge halted Mayor Hubert Hermanek’s plans to privatize the fire department, finding that the village cannot unilaterally break its contract with the firefighters union.²⁰⁴ Instead, the mayor seeks to secure a long-term deal with the North Riverside Firefighters Local 2714, though a related appellate court ruling could bring privatization back to the table.²⁰⁵ The Illinois Department of Insurance found that pensions of the firefighters and police of the village were only 40% funded, which if not brought up to 100% could lead to the garnishment of sales taxes by the state, prompting the mayor to strongly push for privatization to save money.²⁰⁶

Indiana

Marion County: In May, Indianapolis Mayor Joe Hogsett signed an executive order establishing a criminal justice task force to submit a comprehensive plan to reform the city’s criminal justice system, which would include the construction of a new criminal justice complex. In 2015, the city council rejected a 35-year, \$1.7 billion deal with WMB Heartland Justice Partners—a consortium of Meridiam, Balfour Beatty Investments, Walsh Investors, Walsh Construction, Heery International, Cofely Services, Skidmore Owings & Merrill,

and Dewberry Architects—to design, build, operate and maintain a new criminal justice complex. The consortium had been selected as the preferred vendor for the project the previous December, a plan backed by then-Mayor Greg Ballard, until it ran into major opposition on the city council over concerns related to the proposed financing plan. The proposed facility would have been built on the former General Motors Stamping Plant and would have consolidated criminal courts, a 3,000-bed county jail facility, a 960-bed community corrections facility, sheriff’s department offices, and surface parking into one site.

Mayor Hogsett is seeking a plan for a new complex in place by the end of the year—a more scaled-down version compared to Mayor Ballard’s proposal.²⁰⁷

Kansas

Sedgwick County: In March, county commissioners approved initial plans to create a nonprofit for the county’s community health center.²⁰⁸ This initial approval serves as a vote of confidence, allowing COMCARE, which provides the county’s residents substance abuse and mental health services regardless of ability to pay, to create a nonprofit and assemble a Board of Directors to support its operations—namely, marketing and fundraising—while the county keeps its oversight role.²⁰⁹

Louisiana

Jefferson Parish: In February 2015 parish officials voted to approve a deal with the nonprofit LCMC Health for a 45-year lease of the parish’s West Jefferson Medical Center. The deal brought a \$200 million upfront payment to the Parish, along with a commitment for LCMC to make \$340 million in capital improvements in the first 15 years.²¹⁰ In September, the contract cleared its final hurdle when state’s attorney general approved it, which included a \$25 million reduction in the verbal agreement’s rental fees after an audit revealed that previous data overstated the Medical Center’s 2014 cash earnings by \$10 million.²¹¹ Financial problems prompted parish officials to originally seek private operators for its two public hospitals in 2012.

East Baton Rouge Parish: As reported in the previous *Annual Privatization Report*, the parish’s Metro Council is considering a PPP to build and operate a new correctional facility. In April 2015 a consultant suggested considering an arrangement that sources construction of a new prison and mental health facility to a private company, while having the parish maintain control over day-to-day operations.²¹² This year, a report by Health Management Associates called for vast improvements in how the parish deals with inmates deemed to be mentally ill, identifying the use of private organizations specializing in mental health services, as well as social impact bonds, as possible ways to improve outcomes.²¹³

Maryland

Montgomery County: After it was starting to appear that the county might dissolve its unique in-house alcohol distribution system, the *Washington Post* reported in February that the county will keep its monopoly control on alcohol for at least another year.²¹⁴ State Delegate C. William Frik introduced a bill in 2016 that would have put privatization up to a referendum vote, but the county's delegation in the Maryland state House deferred action of the item. County Executive Ike Leggett, who is open to full privatization if the county's finances are unaffected or improved, is in the process of assembling a task force to develop further plans for privatization. Another bill called for partial privatization by allowing private distribution of craft beer and wine, but the delegation withdrew it.²¹⁵

In July 2015, the county council unanimously voted to privatize most functions of its Department of Economic Development.²¹⁶ The move, strongly backed by County Executive Leggett, establishes a nonprofit entity, led by a council-approved 11-member board, to take over the county's economic development functions. Ten CEOs will serve on the board initially, with the hope of attracting more private sector investment in the county.²¹⁷ The nonprofit will begin its duties on July 1, according to the Department's website.²¹⁸

Minnesota

Kandiyohi County: Last summer, Sheriff Dan Hartog, who oversees the county's jail, recommended privatizing health services for inmates to MeND Correctional Care, which handles such services at over 20 facilities in Minnesota and Wisconsin.²¹⁹ The move targets mental health services especially—from 2005 through 2010, the state dropped to 50th in the country in terms of public psychiatric beds per person, a national survey found.²²⁰ The county jail's 2015 annual report noted the change happened as planned last November, with improved 24-hour access to nurses, as well as a significant drop in referrals to outside facilities for medical appointments—from an average of 21 per month, to only seven for the last month and a half of 2015.²²¹

The lack of facilities and staff for mental health services often lead to arrests and emergency room visits for the mentally ill, with Kandiyohi County being a prime example. The *Star-Tribune's* own analysis from state figures found 436 arrests of mentally-ill adults from 2007–2012 in an 18-county cluster that includes Kandiyohi at its center. The article also noted that the state closed a large state hospital that had mental health facilities in Kandiyohi's largest city, Willmar, back in 2008, likely contributing to the spike in arrests.²²²

Mississippi

Jackson: In November 2015, Jackson's city council approved a resolution asking Mayor Tony Yarber to solicit proposals from private firms interested in operating over 1,000 downtown parking meters. Revenue declines in the hundreds of thousands and widespread broken meters and maintenance issues in recent years prompted the resolution.²²³ At press time, the responses from the request for proposals had not been made public, and there has been no final decision made to privatize.

Missouri

Kansas City: After union-backed petitions containing 8,000 signatures led to the repeal of a June 2014 decision to completely privatize the city's ambulance billing services for five years to Advanced Data Processing, City Manager Troy Schulte signed and implemented a 16-month contract that will rely on the company for assistance with those services.²²⁴ Local laws allow the city manager to approve contracts for up to \$300,000 without city council approval, enabling Mr. Schulte to extend the contract, which expired at the end of December 2015, with no new developments noted as of press time. The full privatization plan was estimated to yield \$700,000 in annual savings, while also providing a boost in medical collections of potentially \$2 million.²²⁵

University City: In August 2015, the city approved a five-year contract to privatize its EMS services to Gateway Ambulance.²²⁶ The deal—which received strong opposition from the city's firefighters—is expected to save University City nearly half of its \$1.1 million annual budget.²²⁷ Early this year, Gateway received sharp criticism for taking 15 minutes to arrive to the scene for a heart attack victim, but city officials met with representatives for the company, and have received assurances that response times will improve. While calls were made for the contract to be altered or dropped, Gateway will continue in its role.²²⁸

Nevada

North Las Vegas: In May 2015, the city voted to outsource its human resources functions to Prism Gold Management Group.²²⁹ The move sparked a formal complaint from two laid-off employees who alleged discriminatory hiring practices by the city and asserted that the entire privatization plan was a ruse to rid the city of employees critical of Mayor John Lee. Earlier that year, the two employees filed a complaint against the mayor; the next month City Manager Qiong Liu announced plans to outsource the department.²³⁰ In March, the Nevada Commission on Ethics responded to the 100-page complaint, saying that the filers of the complaint lacked sufficient evidence for the allegations. The state's Employee Management Relations Board is also looking into the complaint, but made no response as of press time.²³¹

New Jersey

Camden: Last July, the city voted to reject the privatization of 911 dispatch services.²³² After receiving multiple bids from companies, the city concluded that none provided enough in cost savings to justify the move. The plans to privatize also received heavy resistance from city employees and other union workers who led a protest march at City Hall, though a representative for Princeton-based IXP, one of the companies that bid for the project, assured officials that no current city employees would lose their jobs.²³³

Monmouth County: The county privatized its two nursing homes in January. Allaire Healthcare Group LLC bought the John L. Montgomery nursing home and its young adult facilities for \$17.4 million and renamed it Allaire Rehab and Nursing. The county also sold its Geraldine L. Thompson nursing home—now known as Preferred Care at Wall—to Preferred Care Holdings LLC for \$15 million in a separate deal.²³⁴ Though efforts had been made by workers and residents to get the facilities in better financial shape, their combined losses since 2007 totaled \$44.5 million.²³⁵ A spokesperson for the county noted that the companies offered jobs to 95% of the affected employees, while provisions included in each deal require the facilities to remain open for at least a decade.²³⁶

Passaic: The city ended its in-house ambulance services in October 2015, choosing Ocean County-based nonprofit MONOC to provide them.²³⁷ The 30-year-old nonprofit provides emergency medical services across the state. The deal includes a one-time payment to MONOC for \$17,500, and gives the nonprofit the duties of billing and collection.²³⁸

Salem County: After pursuing privatization as a means to help the county balance its budget, the county's Freeholders' Board voted 5–2 in favor of a spending plan that will not include privatized 911 dispatch and corrections medical staff.²³⁹ Back in May, the county received bids from firms to handle the two services—three bids for jail medical staffing, one for 911 dispatch—which prompted affected workers to respond with a large protest campaign.²⁴⁰

In the absence of privatization and its projected savings—\$1.1 million, according to officials—the county now looks to taxation to fill the void. The county will raise property rates to 8.6 cents on \$100 assessed—a 54% increase from the previous year, which also reflects the return of a two-cent “open space” tax from suspension.²⁴¹

New Mexico

Santa Fe: A report released in January by the local chamber of commerce recommended privatization of many of the city's services and the sale of many of its assets.²⁴² The services included parking, transit and waste management, while the chamber also recommended the sale of the city's water works, real estate, and mineral rights. While Finance Committee Chair Carmichael Rodriguez is open to some of the measures, such

as selling off or leasing assets, he remains very skeptical of privatizing trash and emergency dispatch services, citing concerns over worker protections. While the report did not call for eliminating any jobs specifically, it noted that the city spends a disproportionate share of its operating revenue on employee compensation for a city its size—about 17% of its annual expenses.²⁴³

Doña Ana County: In March, county commissioners overturned a directive by the county manager in February forbidding using outside contractors for repairs to government vehicles.²⁴⁴ The Sheriff's Department relies heavily on outside repair shops and was happy with the move, citing issues with past repairs done by county staff, while supporters saw the directive as a means to simplify compliance procedures with respect to financial reporting. Critics of the directive mostly saw the issue of taking away control from departments, who like having the flexibility of contracting out if they need to do so.²⁴⁵ At the same meeting, the county council rejected a separate proposal that would have required repairs to be done at county-run facilities, with critics noting that under such a proposal, only the county's fleet director would still retain the authority to outsource repairs to the private sector.²⁴⁶

New York

Orange County: In February, the county requested bids from private firms to operate the city's Hickory Hill Golf Course in Warwick.²⁴⁷ Supporters cited a \$270,000 loss in the course's operating budget for over the previous year, but critics pointed out that the figure does not include concessions sales and other services, such as winter recreation, provided by the course's employees. County spokesman Justin Rodriguez conceded that point, but responded by saying that such factors are difficult to account with available accounting procedures.²⁴⁸

Ohio

Statewide: State legislators struck a provision allowing for the housing of felons in county correctional facilities run by private entities from the state budget in April 2015.²⁴⁹ Current state law only allows for prisoners guilty of misdemeanors to be kept in facilities under private operation and/or management.²⁵⁰

Pennsylvania

Philadelphia: Former Philadelphia Mayor Michael Nutter's administration launched a solicitation in 2013 seeking a potential purchaser for the Philadelphia Gas Works (PGW), a city-owned gas utility, in order to generate revenues to shore up the city's pension fund, which is facing an unfunded liability in excess of \$8 billion. In March 2014, the Nutter administration announced that UIL Holdings Corp., a Connecticut-based energy company, had agreed to buy the utility for \$1.86 billion, which the administration expected to generate between \$424 million and \$631 million for deposit into the city's municipal employee pension fund

(after paying off the remaining debt obligations of the utility).²⁵¹ “Selling PGW will infuse hundreds of millions of dollars into our struggling and severely underfunded pension system—tackling a problem decades in the making,” Nutter said at the time.²⁵²

However, the deal did not ultimately receive the backing of the Philadelphia City Council. Without holding any public hearings or taking a vote on the proposal, council leadership issued a press statement in October 2014 outright rejecting the proposed PGW sale over concerns regarding its financial and labor terms and potential future rate hikes after an initial three-year freeze built into the deal.²⁵³ In rejecting the utility sale, council leadership announced that it would seek new ways to improve the operations of the Gas Works—perhaps through some form of public-private partnership—but did not discuss any plans to take action on the underlying issue: the city’s unfunded pension liability that the sale was intended to address.

“Unfortunately, the only other option to generate that kind of money [to shore up pensions] would be to either take it from the general fund or increase citizens’ taxes,” former Mayor Nutter told reporters in response to the council’s rejection.²⁵⁴

In early 2016, City Council President Darrell L. Clarke announced a new public-private initiative that looks to dramatically improve the city’s energy efficiency and sustainability.²⁵⁵ The American Council for an Energy-Efficient Economy expects the initiative to create 10,000 jobs, mostly in clean energy and energy retrofit sectors, while saving the city millions over 10 years, using \$1 billion in public and private capital to improve energy efficiency in all of its facilities.²⁵⁶

Scranton: According to an agreement that became public in June 2016, the city will receive a \$28 million upfront payment from leasing its parking garages and meters to the nonprofit National Development Council (NDC) of New York City.²⁵⁷ In the 45-year agreement, the city will retain ownership of its meters and all but its oldest garage, Electric City, which was sold for \$1 to a developer building a nearby movie theater who will also lease the garage to NDC. The agreement also includes the eventual replacement of all coin-operated meters with smart meters and will immediately include a standardization (and a slight decrease, on average) of monthly rates. During a work session in city hall on June 21, NDC representatives promised immediate results when the firm takes over operations of the city’s parking garages in August (pending final council approval).²⁵⁸

Harrisburg: In July 2016, the Harrisburg Parking Authority unanimously voted to pursue a default of the 40-year lease of its metered, garage and surface parking assets to a state agency as a result of two straight years of insufficient revenue payments.²⁵⁹ The move followed a downgrade to junk status by Standard & Poors of the bonds used to finance the lease earlier that month.²⁶⁰

The troubled deal dates back to December 2013, when the state-appointed receiver for the financially distressed city approved the lease of the city’s parking assets as part of the receiver’s plan to restructure \$600 million in city debt. Though mistakenly referred to by some media observers as a privatized system or public-private partnership, the transaction is more accurately described as a “public-public partnership”; the

authority entered into the parking lease with the Pennsylvania Economic Development Financing Authority (PEDFA)—a state entity—in return for approximately \$267 million raised as tax-exempt debt by PEDFA. Under the deal, the city was promised certain levels of annual parking revenue through an annual lease payment from PEDFA. PEDFA then subcontracted out the day-to-day operations of the parking assets to a private team including Standard Parking and Trimont, who are each paid a flat management fee for operations and maintenance.

Mercer and Butler Counties: Officials in two Pennsylvania counties—Mercer County and Butler County—explored the possibility of privatizing their county jails in 2014 in an effort to reduce the annual costs of operation. While Butler County officials had not reached a decision at press time, Mercer County reached an agreement with correctional officers for a new contract in August that would preclude any privatization through 2017 in exchange for concessions by unions on pay and retiree health care costs.²⁶¹ Officials in both counties have an example to look to in neighboring Delaware County, which privatized the operation of its jail in 2009. County Executive Director Marianne Grace told *The Cranberry Eagle* that the county is saving \$4 million annually and has “always been pleased with the decision.”²⁶²

Tennessee

Hamilton County: In May, the County Commission voted unanimously to approve a pair of agreements totaling up to \$500,000 for the firms of McGuireWoods LLP and Chambliss, Bahner, and Stophel to assist with legal matters with what could ultimately be a new, privately run jail facility.²⁶³ In February, three companies—Corrections Corporation of America, GEO Group, and Emerald Companies—expressed interest in operating a new proposed corrections facility in Hamilton County, with existing facilities operating over capacity since before 2010, and with basic toiletries for inmates often lacking.²⁶⁴

Shelby County: In March 2016, the County Commission voted 7–5 to approve a two-year, \$3.65 million contract extension with Aramark to provide food services for the county’s correctional center.²⁶⁵ The contract allows the county to fill a \$1.9 projected budget deficit, largely attributable to a decrease in state compensation rates for inmates, and also adds the county facility on Mullins Station Road to the agreement with Aramark.²⁶⁶

Texas

Dallas: In May 2015, the city’s Park and Recreation Board voted to approve a resolution endorsing most of the recommendations of Mayor Mike Rawlings’ Fair Park Task Force, including privatization of the park’s management.²⁶⁷ The task force recommended handing over management of the park to a new nonprofit organization, similar to the structure used in the privatization of the Dallas Zoo in recent years. A June 2016 meeting of the Park Board focused heavily on the privatization proposal, with the Board addressing questions and concerns about the plan. The *Dallas Morning News* noted in an op-ed that the proposal still has

some issues to address—such as finalizing membership for the new Fair Park Texas Foundation, as well as some concerns about funding and the transparency of Foundation meetings, which are currently not subject to the state’s Open Meetings Act.²⁶⁸ The Board is expected to vote on the proposal in August.

Kaufman County: Over the last two years, Careflite, a Texas nonprofit providing medical transport services in north Texas, expanded its reach, winning four contracts for EMS services in Kaufman County.²⁶⁹ In July 2015, the company reached agreement with the towns of Forney and Terrell, followed by an August agreement with the county itself; the city of Kaufman finalized a contract in June 2016.²⁷⁰

The contracts all are for five years, after which they may be renewed annually for up to five more years, and also include incentive clauses for meeting standards such as for low response times. The contracts stem from interim agreements made with the municipalities pursuant to the previous EMS provider, East Texas Medical Center withdrawing from the area in 2015, citing changes to insurance reimbursements.²⁷¹

Utah

Multi-County: The Six County Infrastructure Coalition (SCIC) formed in October of 2014 with the purpose of attracting potential PPP infrastructure projects to the southeast Utah counties.²⁷² As of press time, SCIC has started three projects—broadband projects in Daggett and San Juan Counties estimated at a combined \$2 million, and a power transmission project in Duchesne and Uintah counties.²⁷³ Also planned are water, carbon, and natural gas pipelines, as well as road projects.²⁷⁴

Iron County: In March 2015, the County Commission voted to privatize and sell its ambulance services to Gold Cross Ambulance, which additionally services Salt Lake City and Washington County, with contracts approved in April.²⁷⁵ Under county operation, its ambulance service had amassed \$2.1 million in debt in the last decade and a half. Gold Cross started its service in the county on May 1, 2015.²⁷⁶

Cottonwood Heights: This spring, the city started the process of bringing most of its public works functions in-house.²⁷⁷

As reported in the previous *Annual Privatization Report*, in November 2013, Cottonwood Heights launched a 42-month contract with Terracare Associates to provide all of the city’s public works services. The contract covered snow plowing, street and sign repairs, concrete replacement and storm drain maintenance.

Although generally satisfied with the relationship with Terracare, officials felt that providing all of the services in-house will result in better outcomes in terms of responsiveness, while not adding any more in costs. The transition back to in-house services is expected to be completed by October 1.²⁷⁸

Washington, D.C.

In November 2015, Mayor Muriel Bowser named officials to lead the District's new Office of Public-Private Partnerships, created by legislation introduced by then-Councilwoman Bowser in December 2013, and voted for unanimously by the council a year later.²⁷⁹ Seth Miller Gabriel will act as director, after previously serving as COO for the Institute for Public-Private Partnerships, while Judah Gluckman fills the role of deputy director, after serving in the same role in the mayor's Office of Policy and Legislative Affairs.²⁸⁰

Also, in October of last year, the D.C. Council approved legislation that outsourced low-priority ambulance services. This February, the D.C. fire department chose American Medical Response to handle those non-emergency calls.²⁸¹ The move comes after Fire and EMS officials made a plea to the council last year for outside help, citing the problem of fire department and EMS resources being repeatedly used for non-emergency incidents, with negative consequences for response times to actual medical emergencies.²⁸² The contract requires AMR to respond to its calls within 10 minutes at least 90% of the time to avoid financial penalties; an early study cited by *NBC Washington* in April saw the company meeting the standard 75% of the time, based on about half of a month of data (March 28–April 12).²⁸³

Washington State

Seattle: In May 2015, the city established a one-year trial contract with a nonprofit to manage Seattle's Westlake and Occidental Parks.²⁸⁴ This February, Mayor Ed Murray lauded the arrangement in his State of the City address, calling for its expansion for up to 10 additional downtown parks.²⁸⁵ Later that month, the city agreed to a five-year contract with Downtown Seattle Alliance to manage the two parks, after the city issued an RFP in December for the project.²⁸⁶

Benton and Franklin Counties: In February, the two counties agreed to further explore the development of a joint network of behavioral health services by 2020, when a recent state law will require the complete transfer of all behavioral health services to private managed care entities.²⁸⁷ In October 2015, officials from Walla Walla and Yakima spoke favorably of their decisions to privatize the services in their respective communities. Together, Benton and Franklin Counties manage crisis care currently, and form one of only six remaining county-run mental health services providers in the state.²⁸⁸

Wisconsin

Milwaukee County: County Executive Chris Abele included many recommendations for privatization in his 2015 budget, including zoos (see Section E above), facilities and parks, as well as airport operations and management, after vowing to privatize many government functions earlier in the year.²⁸⁹ In June 2016, Mitchell International Airport Director Izzy Bonilla put the issue of privatization to rest for now, saying the

conditions that led to San Juan, Puerto Rico privatizing its airport, which Bonilla previously ran, were much more severe. Bonilla said, “The difference is that Mitchell is an airport that is efficiently operated... San Juan was a totally different airport,” with problems of finance, facilities, efficiency, and employee motivation that do not exist at Mitchell International, the *Milwaukee Business Journal* noted.²⁹⁰

Also, in July 2015 the county issued an RFP for a private entity to build a new mental health facility and provide psychiatric emergency and inpatient care for 20 years.²⁹¹ After receiving only two bids and finding the proposals lacking, the Behavioral Health Division suspended the RFP in October.²⁹²

West Bend: In May 2015, Mayor Kraig Sadownikow and City Administrator T.J. Justice announced the city has thus far saved nearly \$1 million in operating costs from contracting out its legal and engineering services, according to a press release.²⁹³ Kunkel Engineering Group has provided engineering services since 2013, while the O’Meara Law Firm of West Bend provides municipal legal services, Beulow Vetter provides legal services for labor negotiations, and Houseman and Feind, LLP provides prosecutorial services for the city.²⁹⁴

Wyoming

Fremont County: On July 1, Guardian Air Medical Service started providing ambulance services for the county.²⁹⁵ This spring, the County Commission unanimously passed legislation to approve the five-year contract for Guardian, whose bid beat rival Classic Lifeguard.²⁹⁶ The county’s in-house EMS lost significant amounts of money in recent years, prompting the consideration of privatization in March 2015. In the agreement, Guardian is leasing the county’s existing EMS assets while allowing the company to keep revenues from its patient transports.²⁹⁷

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