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The Salinas Utility Users Tax: Necessary Revenue Source or Government Waste?

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POLICY STUDY 300

Reason Public Policy Institute

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Part I

Introduction

This November, citizens of the city of Salinas, California will go to the polls to decide, among other things, on Measure O, an initiative to repeal the city's utility users tax over a three-year period. Proponents claim that the utility users tax is another unnecessary tax, particularly in the wake of the state's energy crisis, which generated greater-than-expected revenue due to inflated energy prices, and that the city need only be more responsible and efficient in its management of city services to maintain current service levels. Opponents claim that the tax repeal will eliminate needed revenue and that the city will have to significantly scale back services as a result.

This study analyzes the underlying assumptions of both sides and demonstrates that through contracting out and privatization the city can obtain the best of both worlds—relief for taxpayers through the abolition of the utility users tax and the maintenance of (or even increase in) the quality and quantity of city services made possible by cost savings and increased competition.

The city of Salinas receives about 8.5 percent of its $94.7 million budget from a utility users tax. The tax is added to the cost of gas, electricity, water, cable television, and telephone services. More than two-thirds of all cities in California do not have a utility users tax. Repeal of the tax would generate a savings of approximately $200 annually to the average family in Salinas.

In 2001, the city received an unexpectedly high payoff because the state energy crisis drove up electricity and gas prices. It generated utility users tax revenues in excess of anticipated revenues. In fact, revenues increased $830,839 from FY99-00 over FY 00-01, more than double the average increase of revenues from FY 97-98 and FY 01-02 of $428,394. Measure O was born out of a request to reduce the tax—considering the payoff the city had received.

Measure O calls for an immediate tax reduction from 6 percent to 3 percent, another cut in 2004 to 1 percent, and the repeal of the tax in 2005.

In many ways, Salinas does not have a revenue problem. The revenues generated by the current tax structure more than cover the costs of providing services. However, is there another way of looking at things? Can the city cope with the loss of revenue? City officials suggest that they cannot—that they are running a tight ship at or near maximum efficiency.

However, it is highly unlikely that Salinas is operating at maximum efficiency. In fact, best practices in government management tell us that it is not. Absent competition, services languish, lose focus, and fail to operate efficiently. This holds for both the public and private sectors. Many opportunities are present for Salinas to save money without jeopardizing service level or quality. Like many governments today, Salinas essentially has an expenditure problem. Measure O, whether it passes or not, forces officials to at least think about innovative ways to cut costs without cutting services.

Part 2

The Debate

City officials are using a May 1997 report by the Rose Institute of State and Local Government on spending patterns of cities in Monterey County to suggest that they provide an efficient, effective government. The study noted that spending in Salinas was within the bounds of comparable communities in the county—as it should be. Salinas is significantly larger than the other cities studied. Its size enables it to achieve certain economies of scale that would lower its cost per capita to provide a level and quality of services similar to neighboring cities. It should also be noted that the Rose Institute study is more than five years old and relied upon data that was even older. Salinas's government has undoubtedly changed in the years since and a fresher analysis is warranted.

The author of the initiative has presented the city with four separate plans for how the city could cope with the loss of revenue and not cut services. The plans are based on several assumptions, including a dramatic increase in the amount of sales tax dollars that will be generated during the various plans' lifetime. In fact, each of the plans forecasts increases of nearly 10 percent in sales tax revenues in each of the years. The city is forecasting increases in the neighborhood of 4 percent. While cities historically low-ball their revenue estimates to prevent overspending and deficits, the plans' assumptions may be too high. Simply, the economy is still on shaky ground and a 10 percent annual increase may be too optimistic. A more conservative estimate would be selecting the median increase Salinas has achieved over the past nine years—6.95 percent.

The plans presented also suggest deferring preventive maintenance for the life of the plan—upwards of 6.5 years. Ultimately, deferred maintenance places strains on existing infrastructure. Traditionally, in times of fiscal crisis, preventative maintenance has been the first cut made. However, such a move would likely cause a deterioration in infrastructure and may result in higher long-term costs.

Two other elements of the plans warrant mention. The first calls for a deferral of an employee annual leave buyback. Several years ago the city started the program to better control its liabilities for leftover vacation time. Deferring this program only transfers the liability to a later date and does not result in cost savings. However, the city could limit the amount of vacation time that carries over (without forfeiture) or require employees to take vacation time.

Another tenet of the various plans is to require negotiated wage increases. This is not viable without employee concession. City officials should attempt to renegotiate contracts with the various unions. The unions will surely resist renegotiation, however, as they have both political and economic interests in maintaining the status quo.

A cursory look at the budget in Salinas is also worth mentioning. In the last three years, Salinas's non-public safety (fire and police) expenditures have grown by nearly 33 percent, whereas the number of non-public safety city employees grew by only approximately 3.5 percent, suggesting that expenditures are out of line.[1] The city also operates several "enterprise operations," many of which are considered commercial activities, including golf course and airport operation. Divesting these assets would generate a one-time flow of money and eliminate ongoing operational and capital costs associated with these services.

Part 3

Another Option?

Privatization of select services is an option available to officials. While not a panacea, experience suggests that privatizing public services can save money while simultaneously improving services. Typically, in times of fiscal crisis, privatization becomes a more attractive policy option because cutting services and raising taxes are not politically popular. Research suggests that governments are privatizing for a host of reasons, beyond simple cost savings. Some of those are:

A. Privatization to Improve Quality

With the increased private responsibility inherent in privatization, there is increased incentive for the companies to produce high-quality work and to ensure proper performance of facilities. According to Council of State Governments (CSG) data, over 18 percent of state agencies indicate that high-quality service is one reason why they have outsourced.[2]

B. Privatization to Accommodate Peak Demand

Private companies can accommodate fluctuating demand more easily than government departments can because of their more flexible staffing policy—they can be "turned off and on." Many state services naturally ebb and flow, but public employees, protected by civil service, remain at steady levels. When staffing exceeds the workload, the space between the workload curve and the staffing level represents waste—staff with nothing productive to do. When the workload exceeds the staffing level, the space between the workload curve and the staffing level represents projects not being completed, delays, backlogs, and costs imposed on would-be users of the new facilities.

The problem of having fluctuating workloads but steady staffing levels can be solved through privatization, using consultants as a resource pool that can adjust to address needs. A 1990 study by the Wisconsin Legislative Audit Bureau concluded that privatization was used primarily for two reasons: to provide expertise unavailable to in-house staff and to meet short-term, or "peak," demand levels, for which the addition of permanent staff would be uneconomical.[3]

C. Privatization to Speed Project Delivery and Meet Deadlines

Closely related to the issue of privatizing during periods of peak demand is the issue of meeting deadlines in a timely manner. CSG data show that over 21 percent of state agencies say that speedy implementation is an important reason for privatization.[4] "Consultants represent a larger reservoir of manpower resources . . . and consultants usually have greater freedom to marshal resources at short notice."[5]

D. Privatization to Gain Access to Expertise

According to CSG data, over 32 percent of state agencies say that lack of state personnel and expertise was an important reason for privatization.[6] The Wisconsin Legislative Audit Bureau study attributed much privatization to need for special skills,[7] and a study for the Texas DOT found that one of the key reasons given for privatization was lack of in-house expertise.[8]

E. Privatization to Improve Efficiency

With proper contracts, privatization projects have tighter time, budget, and scope-of-work constraints than in-house projects. Besides inadequate monitoring, in-house projects often show changes in scope, unforeseen design complications, and unexpectedly high levels of public involvement—in contrast to contracted work, which tends to be better defined in project scope and relatively predictable as to potential problems that could increase costs.[9]

F. Privatization to Spur Innovation

Competitive privatization can produce innovative solutions to public service delivery. The freedom to invent "allows for old processes to be discarded in favor of entirely new ones—processes that integrate relevant technological advances and streamline communication channels."[10] According to CSG data, at least one in five state agencies says that increased innovation is one of the top reasons for privatization.[11]

Why is privatization necessary for innovation? One answer is that the system does not always reward government employees for innovative ideas. Consider the plight of a government employee with an innovative idea. She can face crushing institutional barriers to change. Government agencies rarely face competition, and government employees have no property rights in their jobs or missions and rarely have independent authority to make changes. A professional or political committee, sometimes more than one, often must approve an innovative new approach. At the end of the day, even if the employee's idea is accepted, she is not likely to reap any professional reward—and one of the individuals or committees higher in the decision process may well have stolen credit for the idea. Private firms have far more opportunity and incentive to encourage and foster innovative ideas at all levels.

G. Privatization to Better Manage Risks

Privatization allows governments to shift risks to contractors, which both helps achieve the most efficient risk allocations and allows risk to be used as a management tool, rather than just something to fear. The power of the contract is often a power overlooked by public officials, who thus ignore the opportunity to build quality assurances and/or quality controls into project delivery as a means to manage risk.[12]

H. Privatization to Cut Costs

Research shows that cost savings is not always the motivation for privatization, that it is becoming less central as governments become more adept at privatization,[13] and that best value is increasingly the goal of privatization. Still, the issue of cost savings often dominates the debate.

There are a fair number of studies of cost savings from privatization projects, as well as a great deal of case study evidence. Cost savings will depend on the service in question and the size and scope of the project, but typically savings range from 10 to 20 percent, on average.

Part 4

Privatization Trends

International City/County Management Association Survey of Municipal Privatization and Public-Private Competitions in the United States.

The International City/County Management Association (ICMA) regularly surveys cities on alternate service delivery. We used ICMA's 1988 and 1997 surveys to examine trends over a 10-year period. A total of 447 cities responded to both surveys.

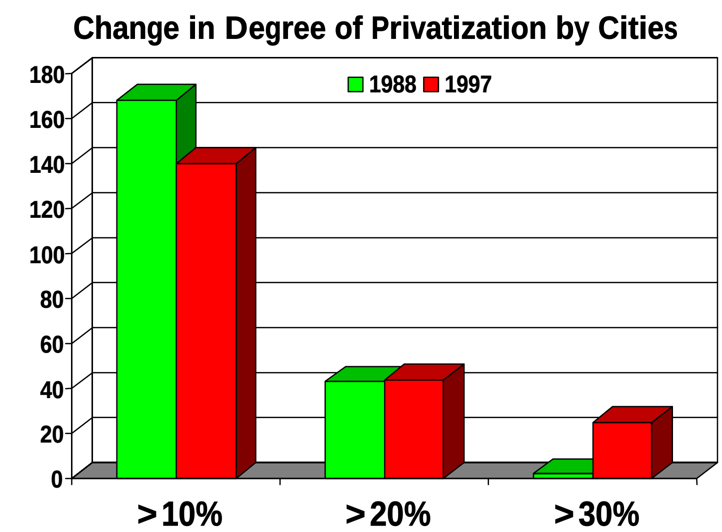
The ICMA surveys show continued shifting from in-house delivery of services to alternate methods. The percentage of cities reporting services provided entirely or in part by in-house employees declined in 60 of 64 service categories during the 10-year period examined. Contracts with private firms increased for many services, with more than half (36) of the services listed as increasing in private delivery during the period. Among the services shifting most toward private provision during the time period are gas operation and management (254.1 percent), electricity operation and management (199.2 percent), insect/rodent control (94.0 percent), water distribution (83.9 percent), solid-waste disposal (67.3 percent), and building security (59.2 percent).

Cities now contract for services that previously were provided exclusively in-house. In 1997, there were cases of privatization in 16 service categories that had no cases of privatization in 1988. Newly privatized services are mostly in health and human services and public safety, probably because of difficulties in developing effective performance measures. None of the responding cities in the sample reported privatized ambulance service in 1988, compared with 73 cities reporting private provision of that service in 1997. So dramatic an increase suggests a significant broadening of privatization from traditional public-works services to other areas.

The percentage of contracted services in each city measures the extent and growth of privatization. The number of cities contracting for services stayed roughly the same—213 in 1988 to 209 in 1997—but cities that did contract for services tended to do more of it in 1997 than in 1988. Cities contracting for more than 10 percent of their services stayed roughly the same, but those contracting for more than 20 percent and more than 30 percent of services increased dramatically (see Figure). The degree of contacting by cities increased about 16 percent.

Somewhat unexpectedly, cities reporting the most privatized services in 1997 are located mainly in the Eastern and upper Midwestern states, including Worcester, Massachusetts (33); Northbrook, Illinois (29); Manchester, Connecticut (27); and Cambridge, Massachusetts (26). Previous research indicated that privatization was more prevalent in cities in Western states.

While the number of cities privatizing services remained steady during the 10-year period of the ICMA survey, the extent to which they privatize increased considerably. The scope of services contracted broadened as well, especially for public safety and health and human services. Apparently, cities are experimenting with various levels of privatization and are increasing or reducing the number of contracts with private firms to meet local needs.



Part 5

Salinas Privatization Opportunities

The city of Salinas does utilize privatization for the provision of some services. A majority of street maintenance, significant portions of street tree maintenance, custodial services, and some information services support are all contracted. However, other opportunities still exist for cost savings that could offset revenue losses from the repeal of the Utility Users Tax.

A. Fleet Maintenance

Between 1982 and 1992, the use of private contractors for fleet management and vehicle maintenance increased 27 percent.

A 1988 study comparing in-house and contract services for motor vehicle maintenance found that contractor costs are 1 percent to 38 percent below municipal costs for equivalent or higher levels of service. In conversions to contracting, wage levels generally remain similar, but the number of operating and overhead employees is reduced because of greater productivity.

1. Case Study: San Mateo, California — Competitive Contracting.

San Mateo adopted a competitiveness strategy several years ago. Said San Mateo City Manager Arne Croce, "We want to test ourselves against the market. If we find out we can't be competitive, we will use contracts and privatization." While the city's in-house street sweeping unit passed the competitiveness test, its fleet maintenance operation failed. So, the city solicited proposals from a number of potential providers and eventually selected Managed Logistics Systems (MLS) in 1993.

Says Croce, "It's been very successful. The customer satisfaction reports we get back are showing high levels of satisfaction. MLS is meeting our expectations on a performance standpoint and from a cost standpoint." Privatization led to a 20 percent reduction in fleet maintenance costs, bringing the annual budget down to $900,000 in 1994.

Although that may seem like a relatively small share of San Mateo's total budget of $80 million, Croce says every little bit helps. "A 20 percent reduction in fleet maintenance is four police officers in terms of the value of services to the city."

2. Case Study: Coral Springs, Florida — Public/Private Competition

In 1993, employees of Coral Springs, Florida entered into a head-to-head competition with the private sector for fleet maintenance and won the bid. Taxpayers won as well, as the employees attained their competitive edge by cutting 25 percent from their operating expenses.

Coral Springs took steps to ensure fair competition between the city employees and private-sector bidders, including training their employees to be competitive in the marketplace. After evaluating the bids in July 1993, city employees were awarded the contract.

"Because they are our employees we have to treat them with respect, and they wanted to bid," said Mike Levenson, one of the assistant city managers and chairman of the Fleet Maintenance Selection Committee. "We just didn't say, 'you have to bid,' we offered all the support the city employees needed to come up with their business plan and structure their bid, which is something most city employees don't know how to do."

A team of city municipal staff who were not on the selection committee gave technical advice to the city employees. They instructed the employees in "developing unit costs and unit revenues so they could better understand the economics of the service they have historically provided," said Levenson.

These lessons in competitive bidding helped the employees cut operating costs significantly and reduce their own staff by three. In total, the staff was able to lower costs by $222,000.

3. Case Study: Indianapolis, Indiana — Public/Private Competition

Indianapolis's fleet maintenance department had done 10 years of total quality management. It was widely acclaimed to be the most efficient central garage in Indiana. The mayor decided to bid it out anyway. Three of the biggest players in the nation bid on the contract. That's when the department got really serious; they eliminated $2.5 million dollars out of their overhead, increased their productivity per mechanic by 22 percent, reduced the cost to other city agencies, and won the bid (see Table 1) for a total cost savings of $4.6 million.

Table 1: Indianapolis Fleet Maintenance: Before and After Competition

	Before	After
Annual Costs	$5.3 million	$2.8 million
Productivity per mechanic	Very low	Up 22%
Employee compensation	Automatic cost of living increase	Performance bonuses
Ratio of workers to managers	1.1 to 1	4 to 1
Number of employees	119	82
Number of complaints	24	5
Number of vehicles serviced	2,104	2,202

The fleet maintenance employees discovered that government's scheduling of days off—where each worker is entitled to the same, and frequent, holidays—affects their competitiveness, so they asked for more flexibility in this area. To increase their productivity—and minimize down time of vehicles—they asked to be able to keep some workers on the job during scheduled holidays.

The union employees also agreed to forego some automatic cost-of-living increases and take a portion of their compensation in performance bonuses. Offset against this are contractual, financial penalties if the department misses certain pegs on the contract.

"They live and die by the performance measures," says Deputy Mayor Charles "Skip" Stitt. "Real dollars come out of each employee's pocket if they fail to perform to contract specifications."

In the first year, the department surpassed its cost-containment goals, entitling the employees to over $75,000 in incentive payments (but only after deducting penalties for failing to fully comply with certain other performance goals). Due to the financial incentives to save money, fleet maintenance employees have begun to propose outsourcing when it will save money. In auto-body work, for example, the in-house unit was not competitive with private shops so it began outsourcing that work and moving the displaced employees into more competitive areas.

City of Salinas Estimated FY 2002–03 Expenditures on Fleet Maintenance: $870,000

Potential Savings from Privatization: $87,000 – $174,000 (10 – 20 percent)

B. Street Maintenance

A 1995 study of 120 local governments in 34 states found that between 1987 and 1995, the percentage of cities contracting out for road maintenance increased by 19 percent, bringing the total percentage of cities outsourcing for road maintenance services to 37 percent.

Cost savings from outsourcing road maintenance services typically range from 25 to 50 percent. A 1984 study showed that contracting out for highway maintenance cost half as much as delivering these services in-house.

1. Case Study: Laguna Niguel, California — Competitive Contracting

The city of Laguna Niguel began contracting for street maintenance with Charles Abbott Associates on July 1, 1993.

The city saved more than $250,000 through competitive contracting in its first year, a 25 percent reduction from its previous costs when it contracted with Orange County for services. Using these savings, Laguna Niguel significantly expanded its street maintenance services, while keeping the budget well below its previous level before competitive contracting. "The real reason we are contracting is that now I have control over maintaining our streets, whereas before, the county was the one that decided what got done and when. So the significant difference just in administering the street maintenance program is not only in cost savings, but the fact that I can direct it and make the decisions," said Public Works Director Ken Montgomery.

Laguna Niguel now has a regular patrol of its rights of way, and the citizens are enjoying cleaner streets. The response time in resolving customer complaints was reduced from 56 days to 6.5 days over a six-month period. In addition, the average number of complaints has dropped 44 percent.

The response time for emergencies also had to be considered when the city privatized. Officials wrote into the agreement with the contractor that "all of the subcontractors that our maintenance contractor hired had to be available to respond to call-outs (emergencies), and this has worked out extremely well," said Montgomery.

Officials in Laguna Niguel found the transition to privatization particularly easy because they didn't have to be concerned with layoffs or relocating workers. All of the public employees that provided their street maintenance had worked for the county.

2. Case Study: Indianapolis, Indiana — Public/Private Competition.

Indianapolis has opened up pothole filling, asphalt laying, crack sealing, berm repair and other road maintenance functions to competition.

The first service opened to competition was pothole filling. Forced to compete, city workers streamlined operations, dropping from eight workers on a crew to four, and going from two trucks to just one, but still their costs weren't competitive with private firms. In reviewing their costs, city employees discovered that the overhead costs of indirect management were enormous. There were 92 truck drivers and 32 management supervisors. "We can't compete if you are going to attribute their salaries into our costs of doing business," the union told the mayor. The front-line union employees asked Mayor Goldsmith to unload them of the burden of the supervisors.

In response, Mayor Goldsmith laid off most of the supervisors. The city unit won the contract. With the assistance of outside experts, they now do intensive full-cost accounting on all the services they perform, from chuck-hole filling to crack-sealing to line painting. They can tell you exactly how much money it costs for every mile of cracks in the road they seal or every street sign they make.

They also have gone through something called the GE Dot Matrix. This means that city crews have evaluated their strengths and weaknesses compared to other competitors in the marketplace. In the private sector, this sort of benchmarking process is fairly common; it's unheard of in government. City crews use this information when they bid on contracts. If they have determined a service is not one of their strengths, they won't bid on it.

City of Salinas Estimated FY 2002-03 Expenditures on Street Maintenance:[14] $3,007,000

Potential Savings from Privatization: $752,000 – $1,504,000 (25 – 50 percent)

C. Parks and Recreation

A 1995 study found that between 1987 and 1995, the percentage of cities contracting out for park maintenance services increased by 10 percent, bringing the total percentage of cities contracting the service to 33 percent.

Cost savings from outsourcing recreation facilities operation and management typically ranges from 19 to 52 percent. Cost savings from outsourcing park landscaping and maintenance ranges from 10 to 28 percent.

A 1984 study comparing in-house and contract park turf maintenance found that contract service had 28 percent lower costs and equivalent service quality.

1. Case Study: Rancho Palos Verdes, California — Commercialization

In 1993, a budget shortfall prompted the city of Rancho Palos Verdes to reconsider its priorities. Pressed for cash, Rancho Palos Verdes eliminated its recreation programs. Before getting out of the recreation business, the city surveyed the surrounding area and discovered that private for-profit and non-profit organizations already were providing—at reasonable prices—most of the recreation services the city was running. After hearing the city would be dropping the recreation programs, many of the class instructors went to the city and said, "We will continue the programs if you will rent us your facilities." The result: many of the city recreation classes still are being offered. The only difference is they are being run privately and without a subsidy from the city. In fact, the city is now making a small net profit from the facility rental.

2. Case Study: Central Park, New York City, New York — Transfer to Non-profit

Turning over partial ownership or management of city parks to non-profit groups and neighborhood associations often is the best way to ensure they remain a public asset. New York City's Neighborhood Open Space Coalition has assumed control from the city of hundreds of abandoned lots and parks in this way, turning many dangerous eyesores into gardens. Nearly one-fourth of the city's nearly 1,500 public parks are now cared for by community associations under the Operation Green Thumb program.

The non-profit Central Park Conservancy has raised more than $100 million for New York City's Central Park since its founding in 1980, taking over the care of trees, lawns and plants, and providing more than half the Park's operating costs. By 1989, 72 percent of Central Park users said the park felt safer after the Conservancy got involved.

Crime dropped 59 percent and robberies plummeted 73 percent. The drop in crime is attributed to the large increase in park activities put on by the Conservancy. Good uses drove out a lot of the bad uses.

The Conservancy has since funded two-thirds of the renewed landscaping project "Wonder of New York." When the project is completed, the Conservancy will have paid for just over half of the $135 million in capital improvements in Central Park since 1980.

As manager of the park, the Conservancy has protected the park by maintaining and then increasing park staff. Since 1991, Central Park has lost 54 city-funded staff due to budget cuts. Today, the Conservancy's payroll includes 172 of the park's 244 workers, and the city now pays only $5.4 million of the park's $15.9 million total operating budget. Additionally, the city has profited from the renewal of Central Park, taking in $4.25 million in concessions from the skating rinks, vendors and many other sidewalk businesses.

Conservancy leaders recently have called for outsourcing the management of all of the city's parks, for it would bring competition, accountability, and marketplace discipline.

3. Case Study: Holiday Park, Indianapolis, Indiana — Voluntary Donations

Located in an upper-middle-class Indianapolis neighborhood, Holiday Park was a modern urban nightmare. Drug dealers and prostitutes had set up permanent shop, and local residents were afraid to go anywhere near the park. After dark, not even the police felt safe in Holiday Park.

In 1990, a courageous group of neighbors finally said, “Enough.” They banded together and asked Indianapolis for permission to take back their park. They proceeded to raise $300,000 in private donations for new equipment, a security guard, and better upkeep. The former drug-infested park now is safe enough for family picnics.

D. Golf Courses

Between 1987 and 1995, the percentage of cities contracting out for golf course services increased by almost 10 percent, bringing the total percentage of cities contracting for golf course operations to 25 percent.

Most municipalities privatize golf operations to increase revenues and to provide needed capital improvements. Table 2 provides a comparison of the revenues received by California cities following the privatization of golf courses.

Table 2: Municipal Revenue Comparison

Descriptive Information			Revenue		
Course Name	City	Last Year Public	Public Operation	Private Operation (First Year)	1995-96 Fiscal Year
El Dorado	Long Beach	FY 1983	$68,918	$201,087	$609,714
La Mirada	Los Angeles	FY 1981	$155,547	$182,558	$1,006,537
Los Verdes	Los Angeles	FY 1981	$94,553	$56,412	$1,187307
Mountain Meadow	Los Angeles	FY 1988	$569,233	$708,704	$1,407,377
Rec Park 18	Long Beach	FY 1983	$126,249	$201,087	$690,532
Rec Park 9	Long Beach	FY1983	$24,403	$67,029	$187,155

Of the six examples cited, five cities achieved revenue increases between 24 percent and 400 percent within the first year of private operation.

There are scores of examples of successful golf-course privatization and also a number of failures. More than 500 municipalities throughout the United States have successfully completed the privatization process. Much can be learned from their experiences.

1. Case Study: Los Angeles County, California — Increased Revenue

The County of Los Angeles currently contracts out 16 of its 19 courses. Of these 16 courses, nine are leased to small firms or groups of individuals (mostly local golf pros) and the other seven to larger management firms.

The county started the contracting process as a way to increase revenue, and has been satisfied with the effort. An example of the county's success is the Mountain Meadow Course. Before the course was privatized in fiscal 1989, it was generating revenues of approximately $570,000. After privatization, county revenues increased to $708,000. As of fiscal 1996, Mountain Meadow generated revenues of $1.4 million, more than doubling the profit of the pre-contract year.

2. Case Study: New York City, New York — Rescue from Decrepitude

Since contracting out 13 golf courses, New York City has gone from losing $2 million a year to realizing a profit of over $2 million a year. Seven of New York City's courses are run by American Golf Corporation (AGC). New York City officials are quick to emphasize the courses' disarray and disrepair when run by the city. "Abandoned cars littered the courses, golfers had been mugged by others, and employees spent more time playing cards than working." To date, American Golf has invested more than $4.5 million into improving the courses, far in excess of the minimum-contract requirements.

The company overhauled the clubhouses, repaired the irrigation systems, brought in new golf carts, and revamped the pro shops and snack bars. AGC has overhauled cash handling and security procedures and instituted full financial accountability and reporting standards. As a result, AGC now sets the standard for other city concessionaires. Rounds played at the seven courses have increased by 50 percent—from 300,000 before AGC took over to more than 450,000 in 1997. Before AGC assumed responsibility for the seven courses, the city was losing $1 million a year on operating the seven courses. In 1997, AGC paid the city of New York more than $1.7 million in rent for the seven courses.

Privatization did generate some initial resistance from club members at these courses who were afraid they were going to lose their privileges. These problems have worked themselves out. Most of the employees were transferred to other departments or hired by the private contractor. New York City officials attribute the success of the privatization to a strong monitoring program.

3. Case Study: San Francisco, California — Environmental Innovation

In 1995, Arnold Palmer Golf was selected by the National Park Service to invest over $4 million in capital to renovate and operate the Presidio Golf Course in San Francisco. The course was opened for public play in 1995 for the first time in its 100-year history as a military course. To date, Arnold Palmer Golf has invested over $6 million in course improvements without closing the course or interrupting play. The capital improvements include a three-phase project. First came refurbishing the two nine-hole courses including a $1.1 million irrigation system; the second phase included a 45-stall practice range featuring three tiers of grass tees and five target greens; the final phase will be the completion of a 7,000 square foot clubhouse with underground golf cart storage. In 1996-1997, the Presido has doubled the income paid to the National Park Service and surpassed its original revenue projections by 13 percent. Rounds have increased 250 percent since 1995 and revenues have increased by 550 percent. The Presidio Course is currently supporting 68,000 rounds per year and bringing in annual revenues of approximately $5 million.

In partnership with the Center for Resource Management, a non-profit group that helps develop working relationships between industry and environmental groups, Arnold Palmer Golf is using the Presidio as a demonstration project for implementing environmentally-friendly programs that can be utilized by golf courses throughout the nation. Specific environmental innovations include a multi-phased water conservation and management program based on a state-of-the-art irrigation system; a weather monitoring system providing the exact amount of water required, and the use of reclaimed water when available; the incorporation of a least-impact turf maintenance program aimed at preserving the quality of the grounds; and implementation of a chemical-applications management plan to control chemical use and minimize pesticide use. Based on Arnold Palmer's innovative environmental practices, the Presidio Golf Course was selected as one of nine winners of the 1996 Environmental Achievement Awards by the San Francisco Green Ribbon panel, a non-profit group of environmental professionals from the business community and the public sector.

Arnold Palmer's management plan has been designed to provide maximum public access to the game. Programs include a project with the San Francisco police to bring golf to "at risk" youths and partnerships with community-based groups—such as the Center of Independent Living and Whistlestop Wheels—to provide easier access for seniors and the disabled.

Arnold Palmer Golf's approach to managing the Presidio course is also customer-oriented. Amenities includes a free "Palmer Shuttle" to provide transit to the course and other points in the park, and, in time, there will even be a staff pro "walking the range" to offer swing advice at no charge.

San Francisco's entire parks and recreation program also benefits from privatization. Palmer Golf's maintenance staff regularly shares state-of-the-art maintenance equipment with the city for use on softball fields and other open spaces and lends expertise in recreational services to the Gordon F. Moore Park.

City of Salinas Estimated FY 2002–03 Expenditures on Parks and Recreation:[15] $10,007,400

Potential Savings from Privatization: $1,000,000 – $3,002,000 (10 – 30 percent)

E. Library Department

Across the country, tight budgets caused dramatic cuts in funding for public libraries in the 1990s, forcing so many libraries to close their doors in recent years that the American Library Association says it is no longer able to keep track of them all. The trend began in 1990, when officials in Worcester, Massachusetts, a city of 170,000, closed all six library branches. California's recession in the early 1990s forced the closure of dozens of local libraries. In Los Angeles, the county library system was threatened with the closure of about 50 of its 87 branches. Municipalities began looking for alternate solutions and have since turned to privatization to not only reduce costs, but to maintain or even expand the quality and quantity of their library services.

1. Case Study: Riverside County, California — Contract Operations

Riverside County became the first county in the nation to privatize its library operations. Maryland-based Library Systems and Services Inc. (LSSI) won a $5.3 million, 1-year renewable contract to run Riverside County's 25-branch, 85-year-old library system.

Under the new contract, LSSI will increase library hours by 25 percent and increase the annual book purchasing budget from $144,000 to $180,000, and will retain current employees at their present salaries. The company is planning on investing $200,000 of its own money to improve library services once a countywide assessment of library needs is completed. Other specific improvements will include more Internet terminals at county libraries and a better phone-up library reference service. LSSI's contract manager, Ron Dubberly, said he hopes to design a system that suits each community. “We're not looking at a cookie-cutter system.”

Some specific improvements at local libraries have already taken effect. At the Temecula branch, for example, couriers pick up and drop off books and other materials twice a day instead of three times a week as previously.

2. Case Study: Seal Beach, California — Volunteers/Asset Sale

Once threatened with closure due to budget cuts, a small branch of the Seal Beach library system in Orange County was saved through privatization.

In July 1995, the private retirement community Leisure World’s Golden Rain Foundation bought the Seal Beach library, finalizing an unusual private acquisition of a public library. Leisure World made a successful $225,000 bid to save the Seal Beach library, plus an additional $35,000 to purchase the books. The former public librarians have been reassigned elsewhere in the public system, and volunteers are helping to run the now-private facility. “This is certainly a first, as far as I know,” County Librarian John M. Adams told the *Los Angeles Times*. “We think it was a real win-win situation. Clearly, we have had to make as many reductions as we can.[sic]”

The Seal Beach Library is crucial to the retirement community’s 8,700 residents. “We plan to keep it open five days a week,” said Golden Rain Foundation President Howard McCurdy.” Over half of our residents use this library. It’s probably more used than any other function we have here.”

3. Case Study: Palm Springs, California — Volunteers/Transfer to Non-profit

In June 1992, the city closed the Welwood Murray Memorial Library and removed every book from its shelves. A day later, the library started a new life as a private volunteer library, run by a newly incorporated non-profit foundation.

“They left us with nothing,” says library trustee Jeanette Hardenburg, “and the building hadn’t been properly maintained for years. Volunteers did everything you see here—refinished the ceiling, donated display cases.”

Palm Springs's volunteer library now has 8,000 books in its collection—5,000 more than it had as a publicly funded library—and more arrive every day. "Every book in our collection was given to us by the city—I mean by the people—of Palm Springs. I don't want to give the city any credit," Hardenburg says.

The city's public librarian had earned almost $70,000 annually to tend the 3,000-book collection; Hardenburg and the other trustees each serve as volunteer librarians one day a week. Community members volunteer to help with the Friday afternoon book sales and other fund-raising and outreach programs.

City of Salinas Estimated FY 2002-03 Expenditures on Library Services: $3,590,200

Potential Savings from Privatization: $180,000 – $539,000 (5 – 15 percent)

F. Information Resources

Between 1987 and 1995, the percentage of cities contracting out for data processing services increased by about 15 percent, bringing the total percentage of cities outsourcing this service to 32 percent. A 1992 survey by Apogee Research revealed a 20 percent increase in privatization in this area in just three years.

Cost savings from outsourcing information technology systems typically range from 10 to 20 percent.

1. Case Study: Illinois

The Illinois Department of Central Management Services began contracting with IBM in 1987 to handle computer maintenance for all state agencies. By reducing paperwork and administration costs and persuading IBM to give a 10 percent annual discount off maintenance fees, the state has saved over $12 million since 1987.

Other benefits include:

- Access to the latest technology without major capital expenses;
- More time dedicated to core business functions;
- More highly trained expertise (because career paths in government generally are very limited for technology specialists);
- More flexibility; and
- Increased user satisfaction (from other departments of government).

2. Case Study: Pennsylvania

When Tom Ridge took office as Pennsylvania's governor in 1995, only 5,000 of the state's 80,000 employees had computers and technology added little to the management of state agencies. The state government's solution was to privatize management of the state's data centers. Now, Pennsylvania ranks as one of the American Electronics Association's top 10 "Cyberstates," and is among the top five states in the nation for attracting IT and biotech companies.

The five-year partnership is on track to save the Pennsylvania's taxpayers more than $110 million. Benefits from the partnership are already being realized, including:

- Speed and flexibility. Unisys can implement a mainframe upgrade in two weeks, while the state's process requirements take 30 days to decide to proceed before even considering getting a solution.
- State-of-the-art hardware and software. Where before state agencies could rarely get the capital budget lines to upgrade hardware or pay for backup systems, or fund new software, now Unisys keeps all systems up to date, and manages backups and disaster recovery.
- Funding flexibility. Unisys has been able to backload or frontload costs in response to state funding status and budget changes, thus allowing the project to cope with unexpected hurdles and opportunities.
- Agency Focus. With Unisys managing the data centers and the technology, the 180 state workers who used to do that are able to focus on core state technology planning, implementation, and management projects.

The Outsourcing Journal selected Pennsylvania's partnership with Unisys to manage the state's data centers as a 2001 Editor's Choice Award winner.

City of Salinas Estimated FY 2002-03 Expenditures on Information Technology: $1,582,100

Potential Savings from Privatization: $158,000 – $316,000 (10 – 20 percent)

G. Airport

1. Case Study: Westchester, New York — Contract Management

The White Plains/Westchester County Airport is an 800-acre facility surrounded by affluent suburbs and office parks.

Turned over to Westchester County by the federal government after World War II, the airport was operated by the airport's fuel supplier for 30 years. In 1977, faced with large operating losses (up to $250,000/year) at the airport, the county government decided to bid out airport management on a five-year contract basis. Pan Am World Services won the initial contract, and it and its successor company, Johnson Controls World Services, have won renewals every five years since then.

Under contract management, the airport has become solidly profitable, with net income of up to $3 million per year. The company has achieved these gains by reducing operating expenses through the cross-training of personnel so that fewer employees are required and increasing revenues by renegotiating ground leases to market levels and instituting paid parking in 1981, and by fostering real estate development. For example, there now are five fixed-base operators (FBOs), compared with three in 1977, as well as additional hangars and related facilities. Despite community-imposed growth limits, major airlines have been attracted to Westchester, compared with the mostly commuter airlines that provided service before 1977.

City of Salinas Estimated FY 2002–03 Expenditures on the Salinas Municipal Airport: $586,400

Potential Savings from Privatization: $88,000 – $235,000 (15 – 40 percent)

H. Police Department

Outsourcing police services such as funerals, directing traffic, responding to burglar alarms, citing parking violations, prisoner transport, watching over buildings found to be unlocked, dispatching police vehicles, and others that do not require sworn officers can reduce costs by up to 30 percent. It is possible that the city of Salinas could contract with the Monterey County Sheriff's office for the provision of some police services.

Experiences in Los Angeles and Orange County demonstrate that intergovernmental contracting can, in some instances, significantly lower per capita policing costs (see Table 3).

Table 3: Law Enforcement Costs: In-house vs. Intergovernmental Services

City	Population	Per Capita Cost
Newport Beach	66,643	$473
Huntington Beach	181,519	$234
Cypress	45,360	$173
Irvine	111,000	$170
Tustin	50,689	$160
Brea	33,815	$140
Fountain Valley	55,072	$128
Dana Point (Contract)	31,900	$115
San Juan Capistrano (Contract)	26,300	$91
Lake Forest (Contract)	52,000	$90

1. Case Study: San Clemente, California — Intergovernmental Contracting

In 1991, the city of San Clemente began experiencing significant fiscal problems that threatened the future financial viability of the city. Emergency spending restrictions were imposed, capital projects were deferred, positions were eliminated, and hiring freezes were imposed.

In April 1993, San Clemente requested and received a proposal from the Orange County, California, Sheriff's Department to replace its 65-year-old police department. In July 1993, the city disbanded its police department and achieved a $2 million reduction in costs and a significant increase in services. Both the reduced costs and the increased levels of service were included in the city's financial strategic plan.

2. Case Study: San Diego, California — Volunteers

The city of San Diego, like many cities, has introduced community policing into its police department. But what makes San Diego's approach to neighborhood policing unique is the unparalleled extent to which the police department has made volunteers an integral component of its community-policing program.

The San Diego Police Department (SDPD) possesses a volunteer workforce of approximately 800 citizens. The San Diego experience has demonstrated convincingly the benefits of involving volunteers in the business of law enforcement. The benefits include:

- More than $1.5 million worth of policing man-hours from volunteers

- The addition of several new policing services;
- Better police/community relations; and
- Allowing police officers to focus more time on serious crimes.

City of Salinas Estimated FY 2002–03 Expenditures on Police Services: $24,595,400

Potential Savings from Privatization: $2,460,000 – $7,379,000 (10 – 30 percent)

I. Fire Department — Emergency Medical Services

Cost savings from competitively contracting emergency medical services (EMS) range from 10 percent to 50 percent, with most communities falling in the middle of this range. While some municipalities have successfully privatized entire departments, partial privatization is more common. EMS is a particularly attractive target. The 2000 Journal of Emergency Medical Services (JEMS) survey of the 200 largest municipalities in the nation found that 188 have fire departments that provide first response for medical emergencies. Thirty-four and a half percent of cities had privatized their EMS services. Cost-saving strategies include the use of:

Hybrid Public-private Partnership: In 1997, San Mateo County in California and AMR formed San Mateo County Hospital Advanced Life Support Services. Under this public-private partnership, public fire agencies provide the first-response paramedics, and AMR provides a second medic via ambulance as well as all the medical supplies, equipment, training, and clinical oversight for both the public and private medics. Both the fire departments and AMR are subject to fines for non-performance under the terms of the performance-based contract, and AMR shares revenue with the fire departments for first response. Since the program's inception, San Mateo County has increased its number of licensed and certified paramedics from approximately 60 to more than 220. Fire department paramedics are responding on time in nearly 98 percent of emergencies; private paramedics are responding on time in 95 percent of emergencies.

City of Salinas Estimated FY 2002–03 Expenditures on Emergency Medical Services: $414,500

Potential Savings from Privatization: $41,000 – $207,000

J. Permits and Facilities Maintenance

Cost savings from competitively contracting building maintenance and janitorial services typically range from 32 to 40 percent. Privatizing design and development also produces significant cost savings in the range of 10 to 40 percent, depending on the project.

City of Salinas Estimated FY 2002–03 Expenditures on Facilities Maintenance:[16] $4,186,400

Potential Savings from Privatization: $419,000 – $1,256,000 (10 – 30 percent)

K. Water / Wastewater Treatment

Currently, investor-owned water companies serve approximately 15 percent of the U.S. population, and 22 percent of California's. The remaining population receives its water from government-owned water companies.

There are 433 privately operated and publicly owned water facilities in the nation. There are 31 such water facilities in the state of California. There are two leading factors responsible for the increased interest in public-private partnerships for municipal water services:

- Unfunded congressional mandates related to requirements of the Safe Drinking Water Act (SDWA) and the Clean Water Act (CWA); and
- The lack of public resources to address the nation's aging infrastructure.

Cost savings from outsourcing water-delivery services typically range from 10 to 25 percent. A 1996 Reason Foundation study found that investor-owned water companies in California provide water at the same price to consumers as municipal water companies, even though the former must pay local, state, and federal taxes; generally cannot make use of tax-exempt debt; and are expected to earn a profit for their shareholders.

1. Case Study: Hawthorne, California — Long-term Lease

In March 1996, the first ever long-term lease of an existing municipal water system was completed by the Southern California city of Hawthorne to the California Water Service Company (Cal Water). Cal Water made an up-front payment of $6.5 million and must pay annual lease payments of $100,000 for 15 years. The lease made Cal Water responsible for all needed capital improvements, and the city residents will benefit from the economies of scale made possible by sharing some fixed costs with Cal Water's adjacent Hermosa-Redondo Beach operations. The agreement included a provision that existing Hawthorne employees will be transferred to Cal Water at the same pay and benefit levels. Customer rates in Hawthorne will be set at the same level as those in the Hermosa-Redondo district.

2. Case Study: Auburn, Alabama — Build, Own, Operate

After 1984, the city of Auburn faced the urgent need for capital improvement of a new wastewater treatment system. Trying and failing to secure federal grant funding for construction, in 1985 the city of Auburn competitively bid a contract to build and own two new treatment facilities serving 34,000 people, and to operate them for 25 years.

The contract was won by a subsidiary of Metcalf & Eddy. The city provided $26 million of the construction costs with tax-exempt bonds, and Metcalf & Eddy provided $10 million in equity funds. The use of equity funds helped keep rates lower than they would have been under alternate financing proposals. Rates did rise to cover the costs of the expansion, but rates had been rising steeply in Auburn, and were predicted to triple if the city performed the capacity expansion itself.

The city retained annual review of rates, and the contract spelled out the terms under which increases in cost could be reflected in rates. The city also has the right to repurchase the plants at current market value at any time. In 1992, Auburn reviewed the option to repurchase the plants and decided against it.

City of Salinas Estimated FY 2002–03 Expenditures on Water/Wastewater Treatment:[17] $4,071,200

Potential Savings from Privatization: $407,000 – $1,018,000 (10 – 25 percent)

Part 6

Conclusion

While some of the assumptions of Measure O's proponents are overly optimistic, those made by the city of Salinas and other opponents of the measure are at least overly pessimistic. The proponents err in relying on inflated future sales tax revenue and the deferral of preventative maintenance and the employee leave buyback program. The opponents are unrealistic in crying that the sky will fall, that city services must be slashed if this 6 percent tax is eliminated. Such an argument must assume that the government operates perfectly efficiently and that this will always be the case, and that conditions will never change. The debate should center on the proper and efficient management of government. In order to operate smoothly, a government must continually look for innovative solutions, even if that means allowing groups outside the government to provide services.

Salinas currently spends $62,423,800 on the targeted items—the range of potential savings from privatizing all of these services is $6,544,000 – $20,474,000. The low range assumes a conservative 10 percent savings. The median potential savings of the identified privatization initiatives is $13,509,000, a 22 percent savings—more than covering the revenue lost. While it is unlikely that all of these initiatives would take place in the first year, initiatives could be phased in as Measure O takes effect.

There are additional opportunities for Salinas to receive one-time revenues through divestiture of assets. Prime candidates are commercial activities like owning and operating golf courses. Divestiture would also save the city operating expenses.

Total Salinas Estimated FY 2002–03 Expenditures on Target Items: $52,496,100

Total Potential Savings from Privatization: $5,249,610 – $17,323,713 (10 – 33 percent)

Median Potential Savings from Privatization: $11,549,142 (22 percent)

Estimated FY 2002–03 Utility Users Tax Revenue:[18] *$8,060,000*

City officials will have to determine if privatization is right for their community. However, the strategies and case studies of this paper suggest that though contracting and privatization, Salinas may continue to provide its citizens with high-quality services while simultaneously saving money. Thus, utilized in conjunction with privatization strategies, Measure O may be adopted and taxpayers may retain an additional 6 percent of their incomes without straining the city's budget.

About the Authors

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Appendix 1

Effects of Privatization on Employees

The perception is widespread that privatization is so harmful to public employees that it is not good policy. This has generated intense opposition to privatization from public employee unions at all levels of government.

However, the comprehensive examinations of privatization tend to find that privatization has resulted in few, if any, layoffs and that public employees can actually benefit in the long term from private-sector management.

First, the literature on employment effects consistently finds that privatization mostly shifts, rather than displaces, employees:

A 1985 General Accounting Office (GAO) study of job displacement as a result of Department of Defense downsizing revealed that, of the 9,650 employees affected by privatization, 94 percent were placed in other government jobs or retired voluntarily. Half of the remaining 6 percent were employed with the private contractor. Only 3 percent were laid off.

In 1989, the National Commission on Employment Policy (NCEP), a research division of the U.S. Department of Labor, studied the effects of privatization on employees from a variety of jurisdictions across the nation over a five-year period. The report, regarded as the most comprehensive examination of privatization's impact on government employees, found that of the more than 2,000 workers in 34 privatized city and county services, only 7 percent were laid off. More than 50 percent of the affected workers were hired by private contractors, approximately one-fourth (24 percent) of the employees transferred to other government positions, and 7 percent retired. In conclusion, the study found that "in the majority of cases, cities and counties have done a commendable job of protecting the jobs of public employees."

A 1995 study of privatization in Illinois municipalities found that only 3 percent of the 516 responding cities reported layoffs due to contracting. Nearly two-thirds (64.9 percent) of the cities reported no displacement of affected employees, while 10.8 percent transferred workers to other government jobs, 5.4 percent reported that employees were hired by the private contractors, 5.1 percent said the affected employees retired, and 9.8 percent reported a combination of these results. In late 1999, a follow-up survey of 220 Illinois cities of more than 5,000 in population found roughly the same percentage (only 3.8 percent) of cities reporting that employees were laid off as a result of privatization.

A 2000 study of privatization by cities in Wisconsin asked what happened to employees after privatization. The most common response was transfers to other government jobs (42 percent of municipalities), followed by retirement or taking jobs with the private contractor. Only in 6 percent of cases were workers laid off. Roughly two-thirds of municipalities did not keep data on what happened to employee wages and benefits. Of these municipalities who could report on changes in wages and benefits, about one-third each reported that private firms paid wages that were higher, lower, or about the same as the municipality paid, and about one-third reported that private-firm employee benefits were lower, while about one-sixth each reported that the private firm offered either better benefits or about the same level as the city or village.

A 2000 study examining the effect of welfare-to-work privatization on state employees in Arizona that of the 160 employees involved, none were laid off. Instead, the contractor hired most of them, while the rest transferred within the state Department of Economic Security (DES). Salaries for former DES employees were raised by the contractor on average 31.5 percent, and over one-third of former DES employees received at least one promotion in the first year after privatization. One year after privatization, most former DES employees were satisfied with post-privatization benefits packages—38 percent rated the benefits better than the state's, 41 percent rated benefits the same, and 21 percent rated the contractor's benefits worse. They were evenly split on whether they felt more or less job security with the private contractor. Finally, only 43 percent of former DES employees were "highly satisfied" while working for the state, but 91 percent reported being "highly satisfied" one year after privatization.

Layoffs are a very real concern to public employees when the issue of privatization is raised. However, there is little evidence to suggest that privatization results in massive layoffs and hardship for public employees. As recent research demonstrates, the trends in government are, in fact, just the opposite. Few governments report widespread layoffs due to privatization, while the transition to competition often makes employees better off.

Other Relevant Reason Foundation Policy Studies

Robin A. Johnson, *Privatization and Layoffs: The Real Story*, Reason Public Policy Institute E-brief No.112, March 2001, www.rppi.org/ebrief112.html.

Adrian T. Moore, Geoffrey F. Segal, and John McCormally, *Infrastructure Outsourcing: Leveraging Concrete, Steel, and Asphalt with Public-private Partnerships*, Reason Public Policy Institute Policy Study No. 272, (Los Angeles: Reason Public Policy Institute, September 2000).

William D. Eggers, *Competitive Neutrality: Ensuring a Level Playing Field in Managed Competitions*, Reason Public Policy Institute How-to Guide No. 18, (Los Angeles: Reason Public Policy Institute, March 1998).

William D. Eggers, *Rightsizing Government: Lessons From America's Public-sector Innovators*, Reason Public Policy Institute How-to Guide No. 11, (Los Angeles: Reason Public Policy Institute, January 1994).

John O'Leary and William D. Eggers, *Privatization and Public Employees: Guidelines for Fair Treatment*, Reason Foundation How-to Guide No.9, (Los Angeles: Reason Foundation, August 1993).

John Stainback, *Designing Comprehensive Privatization Programs for Cities*, Reason Foundation How-to Guide No.2, (Los Angeles: Reason Foundation, February 1993).

Endnotes

[1] Total city general fund expenditures increased 15.8 percent between FY 98-99 and FY 01-02.

[2] Keon Chi and Cindy Jasper, *Private Practices: A Review of Privatization in State Government* (Lexington, Ky.: Council of State Governments, 1998), p. 8.

[3] Wisconsin Legislative Audit Bureau, *Evaluation of Use of Engineering Consultants: Department of Transportation,* 90-9 (Madison: State of Wisconsin, April 1990), p. 10.

[4] Chi and Jasper, *Private Practices,* p. 8.

[5] Wilmot et al., “In-House Versus Consultant,” p. 158.

[6] Chi and Jasper, *Private Practices,* p. 8.

[7] Wisconsin Legislative Audit Bureau, *Evaluation of Use of Engineering Consultants,* p. 10.

[8] PricewaterhouseCoopers for Texas Department of Transportation, *Highway Design Cost Comparison* (Austin: State of Texas, February 1999), p. 55.

[9] Wisconsin Legislative Audit Bureau, *Evaluation of Use of Engineering Consultants*, p. 3.

[10] Paul Thompson and Steve Sanders, “Partnering Continuum,” *Journal of Management in Engineering,* vol. 14, no. 5 (September/October 1998), p. 77.

[11] Chi and Jasper, *Private Practices,* p. 8.

[12] Corey Boock, interview with author.

[13] Chi and Jasper, *Private Practices,* pp. 4–5.

[14] Includes Street Maintenance (line item 5050), Street Lights (line item 5051), Traffic Signals (line item 5053), and NPDES Street Sweeping (line item 5185).

[15] Includes Recreation-Parks Department, Park Maintenance (line item 5080), Urban Forestry (line item 5090), Twin Creeks Golf Course (line item 5130), and Fairways Golf Course (line item 5145).

[16] Includes Development and Permit Services Department and Facilities Maintenance (line item 5030).

[17] Includes Water Resource Planning (line item 5012), Facilities / Water Engineering (line item 5020), Industrial Waste (line item 5160), Sanitary Sewer (line item 5170), and NPDES Storm Drain Sewer (line item 5180).

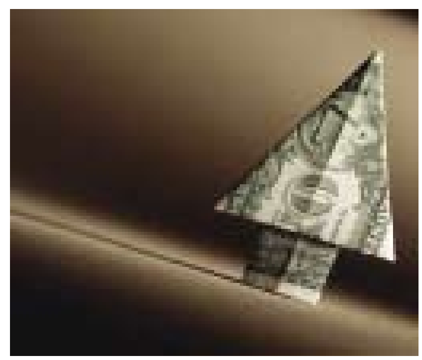
[18] City of Salinas Recommended Budgets: Operating and Capital Improvement, FY 2002-2003, p. 12.











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