



# SAVINGS FOR SAN DIEGO: OUTSOURCING TO REDUCE COSTS AND IMPROVE SERVICES

In November 2006, San Diegans voted to approve Proposition C, by a significant 60 percent to 40 percent margin, thereby allowing the city to utilize competition among city agencies and the private sector to provide cheaper and better services to the community. Over three years have passed, however, and the city has been unable to put this managed competition process into practice due to objections by city employees' labor unions, and implementation has effectively been stalled.

Myriad examples of competition for government services in numerous service categories have shown that competition is a very effective strategy to reduce costs while maintaining or improving the quality of services. Given the city's current budget straits, competition is needed now more than ever. While participation by city agencies in competitions for government services would be ideal, if city employees cannot agree upon a way in which to participate in this competition, the city may still be able to reap the benefits of competition by seeking competitive bids for services from the private sector alone.

As part of an effort to identify and analyze outsourcing opportunities for the City of San Diego, Reason Foundation will be releasing a series of briefs covering various city services, such as:

- Building/facilities maintenance
- Information technology/San Diego Data Processing Corp.
- Library operations

- Parks and recreation
- Printing and copying
- Street maintenance
- Trash collection
- Vehicle fleet maintenance
- Water/wastewater

The first briefs in this series examine building maintenance and vehicle fleet maintenance services. Given the city's FY 2010 budget as a baseline, and a conservative estimated cost savings range of between 10 percent and 25 percent, San Diego can expect to save between \$1.5 million and \$3.7 million per year on building maintenance, and between \$5.1 million and \$12.8 million a year on vehicle fleet maintenance, from competitively bidding these services out to private-sector vendors.

Future briefs will identify additional cost savings that San Diego can use to help balance its budget in these difficult economic conditions.

The services above represent a good starting point for city officials and leaders to use to apply the lessons of privatization learned in other jurisdictions for the benefit of San Diego. They should not be considered an exhaustive list of city services that could be outsourced, and city officials and leaders are encouraged to evaluate other city services for ways to use privatization or other innovations to cut costs and improve service quality.

Service	FY 2010 Expenditures	Cost Savings Range (%)	Annual Cost Savings (\$)
Building Maintenance	\$14.7 million	10% - 25%	\$1.5 – \$3.7 million
Vehicle Fleet Maintenance	\$51.4 million	10% - 25%	\$5.1 – \$12.8 million