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Extreme privatization: A performance analysis of the "Sandy Springs model"

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Extreme privatization: A performance analysis of the “Sandy Springs model”

by

Jack A. Feldman

A thesis submitted to the graduate faculty
in partial fulfillment of the requirements for the degree of
MASTER OF PUBLIC ADMINISTRATION

Major: Public Administration

Program of Study Committee:
Mack Shelley, Major Professor
Steffen Schmidt
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Iowa State University

Ames, Iowa

2014

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DEDICATION

For Randi, Lisa, Lydia, and Jonathan.

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ABSTRACT

This paper examines the “Sandy Springs-model,” which is characterized by outsourcing the vast majority of municipal government services to the private sector. Privatization and outsourcing are widely seen as a way to deliver government services more effectively and efficiently, but few governments have privatized to the extent that Sandy Springs, Georgia, has done so.

A performance analysis was conducted with Sandy Springs against neighboring municipal governments in northern Fulton County. The analysis compared expenditure per capita figures against the corresponding government output with an assigned points system for fiscal years 2008 through 2012. The analysis found that Sandy Springs does not have the most efficient or effective government in the sample, and was below average across the board. Further, cities that turned from a private sector-model to a more traditional model of service delivery found efficiency and performance gains.

CHAPTER 1

INTRODUCTION

“Here’s how to do it,” proclaimed *The Economist* (2012). After almost eight years of existence, its elected officials, administrators, and citizens have already deemed the city of Sandy Springs, a northern suburb of Atlanta, Georgia, a success. From a policy and academic standpoint, what makes Sandy Springs so interesting is that it has outsourced the vast majority of municipal services to private companies. Outside of police and fire personnel, the city employs seven full-time workers to administer a government for a population of almost 100,000.

What Sandy Springs is doing is the highest-profile and most extreme example of the “reinventing government” movement, as coined by David Osborne and Ted Gaebler. This philosophy infuses the ideals of the private markets to reintroduce competition, efficiency, and accountability to the public sector.

Research Question

This paper seeks to address whether the “Sandy Springs model” is, in fact, the way to do it. The city will undergo a performance analysis against its fiercest competitors: its neighboring cities in northern Fulton County. This area north of Atlanta has a long history of citizens being acutely aware of the stewardship of tax dollars and quality of public services. In fact, the city of Sandy Springs was incorporated in December 2005 because citizens were not happy with the level of government services provided by Fulton County.

The particular cities in question are Alpharetta, Johns Creek, Milton, Roswell, and Sandy Springs. This includes all cities in northern Fulton County, except for Mountain Park, which was excluded due to being an outlier with regard to its very small population. This study analyzes the actual dollars spent on a bundle of services, and compares those values to relevant outputs of each municipal government over fiscal years 2008 through 2012. This provides the foundation to help determine which city's government is most effective.

Outsourcing and Privatization

One of the principles enshrined in *Reinventing Government* by Osborne and Gaebler is that governments ought to “steer,” not “row.” By separating the policy decisions (steering) from implementation and service delivery (rowing), policymakers can focus more on governance and less on doing (1992, pp. 34-35). One way to do this is by contracting for services with non-profit organizations or businesses in the private sector. Osborne and Gaebler provide many other ways to alternatively provide services besides the traditional public sector model, as elaborated in the literature review. Outsourcing public services provides great promise to enhance efficiency, accountability, and government performance. However, as with any other public policy, the implementation is key for success. Critics have plenty of cases to point to of privatization projects gone awry, resulting in poorer service at the same or higher costs. These and other, more theoretically founded, criticisms of outsourcing and privatization can be found in the literature review.

What makes the case of Sandy Springs so interesting is the extent to which the city privatized its government services. With the exception of public safety (which the Georgia Constitution requires to be provided by the public sector), almost every government service is provided by the private sector. When Sandy Springs was incorporated in 2005, the city contracted with CH2M-Hill to provide the vast majority of government services. In fiscal year 2008, the first year of this analysis, the city had thirteen public employees: city manager, assistant city manager, grants administrator, finance director, city clerk, municipal court clerk, and seven elected officials including mayor and council. CH2M-Hill was contracted to provide general operations, finance, municipal court, public works, recreation, and community development services.

For fiscal year 2012, the city rebid the contract to provide services for the city. This time, instead of awarding the contract to one company, the city decided to award contracts to a number of companies to provide a specific service. This move resulted in a savings of more than \$7 million per year, totaling more than \$35 million over the five-year life of the contract. According to policymakers, contracting with the new firms was purely a fiscal decision, and not necessarily a reflection on the quality of service provided by CH2M-Hill (Murchison, 2011; City of Sandy Springs, 2011). The new contracts awarded are as follows:

- The Collaborative: Communications, Community Development
- Jacobs Engineering Group, Inc.: Municipal Court, Recreation and Parks
- URS Corporation: Public Works
- Severn Trent: Financial Services

- InterDev: Information Services

Throughout this analysis, it is important to remember the words of Osborne and Gaebler on privatization and government services:

But we should not mistake this for some grand ideology of privatizing government. When governments contract with private businesses, both conservatives and liberals often talk as if they are shifting a fundamental public responsibility to the private sector. This is nonsense: they are shifting the delivery of services, not the responsibility for services (1992, p. 47).

Cities Chosen for Analysis

The cities chosen for this analysis include the neighboring cities of Sandy Springs in northern Fulton County, Georgia. This includes Alpharetta, Johns Creek, Milton, and Roswell. In addition to being geographically close, they are also economically and demographically similar and drastically different from the cities in southern Fulton County, including parts of Atlanta. The following shows the stark contrasts between the different areas in 2006. (Note: the northern Fulton County figures include data from Mountain Park, though its data are excluded from this study's analysis henceforth.)

Table 1.1: Economic and Sociological Indicators of Fulton County

	Northern Fulton County	Southern Fulton County
Median Household Income	\$86,743	\$36,930
Per Capita Income	\$43,367	\$21,093
Households w/ Income under \$10,000	4,407	34,696
Families Receiving Food Stamps	2,678	41,183
Families Receiving TANF Benefits	119	2481
African American Population (%)	8.0%	62.8%

(Source: Ertas, Kim, Matthews, & Wheeler, 2009, Table 2.2)

Northern Fulton County has been quite vocal about the quality of services it has received over the years. The area long has been acutely aware of the quality of services provided by Fulton County. Dissatisfaction with the amount of tax dollars given to Fulton County, who was responsible for providing these services, and with the level of service provided, in part, are the reasons why Sandy Springs (and others) incorporated. Some criticize this move as white flight from the poorer areas of Fulton County. It is estimated that Fulton County loses around \$38 million of tax revenue per year as a result of the incorporation of Sandy Springs, Johns Creek, and Milton (Segal, 2012). This has resulted in significant financial strain for the county.

That aside, northern Fulton County is a great case study for the analysis of the performance of privatization. The economics and demographics are similar, the constituents are mindful of government performance, and each city takes a different tack in attempting to be most effective at providing government services to their constituents. Sandy Springs, as previously noted, is the most privatized of the five cities. Alpharetta is a city that provides its services through the traditional public sector model. Johns Creek was incorporated a year after Sandy Springs, in 2006, and also contracted with CH2M-

Hill to provide a wide range of services, including administration, public works, and community development (“History of Johns Creek,” 2013; “Public/Private Partnership, 2013). In October 2010, the city restructured its contract with the firm so that CH2M-Hill still provides public works and community development services, but the city administers the rest with public employees (“Public/Private Partnership,” 2013). The city of Milton also incorporated in 2006, and similar to Sandy Springs and Johns Creek, awarded a contract for all government services to CH2M-Hill. After three years, the city decided it would be cheaper if it hired its own personnel: a savings of \$1.26 million in FY2010 (City of Milton, 2010b). The city of Milton now primarily provides services through the traditional public sector model, but some things are contracted or subcontracted where cost-savings can be found. Roswell legally became a city in 1854, and provides government services through a traditional public sector model.

Table 1.2: Population Data from Selected Cities

City/ Year	Pop. Est. 2008	Pop. Est. 2009	Pop. 2010	Pop. Est. 2011	Pop. Est. 2012
Alpharetta	54,830	56,286	57,551	59,387	61,981
Johns Creek	72,844	74,929	76,728	79,473	82,306
Milton	29,210	31,119	32,661	33,893	35,015
Roswell	85,751	87,089	88,346	91,142	93,692
Sandy Springs	90,980	92,466	93,853	96,944	99,419

(Source: US Census Bureau)

Statement of Problem

Privatization and contracting for services have been utilized by city governments and analyzed by scholars for decades, but these practices and analyses are usually limited to particular programs. Privatization has not been utilized to the degree that

Sandy Springs has embraced the practice for delivering government services, and thus the scholarship on this is lacking. This study seeks to be a first step in the analysis of essentially a fully privatized city government by looking at government performance across five fiscal years.

Purpose of Study

The purpose of this study is to measure government performance for these five selected cities over a five-year span. The study seeks to answer the question, “Is the Sandy Springs model more efficient and effective than those of its neighboring cities?” The study analyzes the inputs and outputs of each city between fiscal years 2008 and 2012 for both core municipal government services and public safety services. Each city received a performance score for each fiscal year and conclusions are drawn based on these scores.

Summary of Literature Review

Since the beginning of the privatization movement, there has been fierce debate over its efficiency, effectiveness, and what privatization means for accountability in government. The literature review surveys a wide swath of the theoretical, ideological, and economic considerations that arise when analyzing the effectiveness of privatization. There is a discussion of Osborne and Gaebler’s *Reinventing Government*, as well as the New Public Management and New Public Service paradigms. The literature review also includes discussions on public goods, and of economic and theoretical motivations for privatization, and analysis of other privatization case studies to date.

Summary of Methodology

The study seeks to perform a performance analysis, examining comparable inputs and outputs. The inputs are the total expenditure per capita each year for FY2008 through 2012. The total expenditure is comprised of comparable city government departments and then is divided by city population figures of that year to determine expenditure per capita. The outputs are intended to measure the performance and capacity of each city's community development, finance, parks and recreation, and public works departments, as well as the city's overall quality of life. These outputs were ranked against each other and points were assigned for the purposes of running a performance analysis model.

Limitations of Study

Although the results of this study are interesting, it is unclear whether broader conclusions can be drawn from the results. Sandy Springs is a newly incorporated affluent city, and the study is a comparison against other successful (some newly incorporated) affluent cities. This has been the case with most other privatization case studies; their results provide anecdotal evidence, at best. In the case of this study, it would be necessary to do a broader study if Sandy Springs is found to be the most effective government out of this sample.

CHAPTER 2

LITERATURE REVIEW

Since the beginning of the privatization movement, there has been fierce debate over its efficiency and effectiveness, and about what privatization means for accountability in government. This literature review surveys a wide swath of the theoretical, ideological, and economic considerations that arise when analyzing the effectiveness of privatization. This includes the Reinventing Government, New Public Management, and New Public Service movements; economic literature on public goods; economic and theoretical motivations for privatization; literature on the cases for and against privatization; an analysis of other privatization case studies; and literature thus far on the experiments in Sandy Springs and Fulton County, in particular.

Reinventing Government

The quintessential reading, which frames the discussion when first tackling the issue of privatization, is David Osborne's and Ted Gaebler's *Reinventing Government*. The authors argue that government (in the 1990s, and ostensibly also today) is a bureaucracy with a lot of dedicated people operating in bad systems, with incentives built in that are counter-productive. Instead of reforming the organization to improve performance, government has eliminated services, which is similar to cutting off a few fingers and toes instead of going on a diet (Osborne, 1993, p. 350). Government is providing services in an outmoded way and should be reformed by infusing entrepreneurial principles so that the government can be more productive.

The authors provide ten principles for an entrepreneurial, more productive government: The public sector ought to be catalytic, community-owned, competitive, mission-driven, results-oriented, customer-driven, enterprising, anticipatory, decentralized, and market-oriented. The most applicable of these to the present study are elaborated below.

For a government to become a catalyst, it ought to separate “steering” from “rowing.” This provides public bureaucracies with the flexibility to adapt to changing conditions. By separating policy decisions (steering) from service delivery (rowing), policymakers can focus more on governance and less on doing (Osborne & Gaebler, 1992, pp. 34-35). In *Reinventing Government*, Osborne and Gaebler provide 36 alternatives to standard public service delivery, ranging from traditional to “avant-garde” (1992, p. 31). This insight is especially prescient in the post-2008 recessionary fiscal climate, giving public institutions more flexibility to experiment with ways to deliver services effectively.

In the old model of service delivery, bureaucracies “rowed” by providing services, which create a monopoly in the market. To reinvent government, competition needs to be introduced to provide incentives to heighten levels of production. An example cited by Osborne (1993) is the City of Phoenix deciding to contract out garbage collection. The manager of the department of public works decided to put in a bid against private companies. Though the department lost the bid, ten years later it won back the bid at half the previous cost when they lost the bid originally (pp. 352-353).

This is a great example of the public sector innovating and finding ways to provide services efficiently and productively when given the proper incentives.

Two more principles, which are somewhat related, are that government ought to be mission-driven and results-oriented. Public institutions that focus less on rules and budgets and more on asking basic questions such as “What is our goal?” and “What are we trying to accomplish?” produce more effective results. Likewise, shifting from focusing on inputs to outputs provides a way to hold managers accountable for producing a pre-determined level of service that policymakers desire (Osborne, 1993, p. 353).

Finally, governments ought to become more enterprising with regard to the way they generate revenue. Most governments spend the majority of their time thinking about how to spend the money they have been allocated, but they should be spending a fair amount of time figuring out new revenue streams. A few examples: The Milwaukee Sewerage District turns 60,000 tons of sewage into fertilizer every year and sells it for \$7.5 million in revenue; Phoenix siphons off the methane byproduct of their wastewater treatment plant and sells it to Mesa for a \$750,000 profit; Chicago turned a \$2 million cost into a \$2 million profit by contracting out the towing of abandoned cars to a private company (Osborne & Gaebler, 1992, p. 197). These are smart ways to generate revenue without having to go to constituents and ask for property tax or sales tax increases.

Another method of revenue generation, which is proving to be more popular than taxes, is user fees. It is popular, according to Osborne and Gaebler, because it is a fairer system of generating revenue: those who benefit from the service and can afford to pay for the

service do so (conversely, those who cannot afford to do not). User fees are not appropriate for everything, but they work under three conditions: the service is a private good (benefitting those who use it), those who do not pay for the service can be excluded, and fees can be collected efficiently (Osborne & Gaebler, 1992, pp. 203-204).

Kearney, Feldman, and Scavo (2000) analyzed the attitudes of city managers about Reinventing Government principles and which ideas/principles have they implemented in the previous five years. Their survey found that:

City managers are highly supportive of reinvention principles. Nearly all respondents believe that taxpayers should be treated as customers, that third party contracting and competition in service delivery are acceptable, that government should be mission driven and entrepreneurial, and that non-tax revenue sources should be developed. (p. 544)

Less popular ideas of Reinventing Government included the ideas that governments should steer, but not row; that financial incentives should be provided to entrepreneurial employees; and that preference should be given for increased user fees over tax increases. City managers did have reservations about a few of the principles, particularly accountability issues that arise with privatization (p. 544-545).

Finally, the authors also found that (perhaps unsurprisingly) managers' attitudes do not always turn into action. For example, only 35.1% of respondents had changed their budget to fund outcomes rather than inputs in the last five years. And, although more than 80% of respondents "agreed" or "strongly agreed" with the idea that financial incentives should be provided to entrepreneurial employees, only 47% of respondents

had recommended setting aside funds to do so (Kearney, Feldman, & Scavo, 2000, p. 541).

Others are more skeptical of certain aspects of the Reinventing Government philosophy. Schacter (1995) notes that some criticize the customer-oriented nature of reinventing government, calling it the wrong metaphor for the relationship between citizens and their government. Instead of customers, the citizens are owners. Citizens as owners have the ability to elect leaders who represent their interests, not just be passive consumers “limited to liking or disliking services and hoping that administrators will change delivery if enough customers object” (p. 530).

Bacon et al. (1996) are not convinced by the flatter, more decentralized hierarchy prescribed in *Reinventing Government*. They emphasize the importance of middle managers having dual roles in government: “helping to define ‘acceptable service’ and making the delivery of public services accountable.” It is argued that efforts to privatize, contract out for services, or otherwise reinvent government to eliminate layers of government do not appreciate what those middle layers of do for the functioning of government (p. 359). Osborne and Gaebler (1992) discount middle managers as superfluous figures that stand in the way of decisions made by employees in order to justify their existence (p. 265).

Walker et al. (2011) investigated the relationship between governments being more market-oriented and possibly improved public sector performance in the context of English local government. They found that market orientation improves the citizens’

perceptions of public sector performance, but its impact on the local managers is negligible (p. 707).

Others take a more holistic approach to criticizing *Reinventing Government*. The title of Moe's 1994 piece, "The 'Reinventing Government' Exercise: Misinterpreting the Problem, Misjudging the Consequences" says it all. Moe calls it less a roadmap for effective government, and more a "series of success stories resulting from the application of these principles" (1994, p. 112). Further, he takes issue that the ten principles of entrepreneurial government are not stated in a theory-relevant manner that would make them subject to empirical proof or disproof (Moe, 1994, p.112).

The context of Moe's criticism lies in the Clinton Administration's *From Red Tape to Results: Creating a Government That Works Better and Costs Less*. Moe notes that most of the success stories in *Reinventing Government* are from local service delivery and its lessons are less applicable to the federal government (Moe, 1994, p. 112). His prescription: "Lines of authority and accountability need to be sharpened to department and agency heads, not meshed. Agencies should be headed by single administrators, not committees... Government agencies should be assigned functions that are administrable and provided sufficient in-house resources (including mid-level managers) to insure that contractors can be supervised and held accountable." Later, he adds, "Stop the mythologizing and be tough minded" (Moe, 1994, p. 119).

New Public Management Versus New Public Service

The principles of Osborne and Gaebler's *Reinventing Government* were enshrined in a new paradigm, New Public Management (NPM). Frederickson (1996)

provides a thorough look at the similarities and differences of the Reinventing Government and NPM philosophies. Though the two are very similar, Frederickson frames reinventing government as a government outsider's way of "flamboyantly" reforming government. New public management, on the other hand, is a quiet movement of practitioners and scholars within the field of public administration coming around to similar conclusions about the necessity for reform (1996, p. 269).

With regard to management style and organizational structure, the two movements are largely similar, says Frederickson. Both recognize the need for a change in the way of doing business, and also value government responsiveness. The two movements begin to diverge in their approach: NPM is "more institutional and political whereas reinvention is less concerned with capable institutions and seeks to sidestep political issues" (Frederickson, 1996, p. 269). The two movements diverge more sharply with regard to their values. Reinventing Government "elevates the values of individual choice, the provision of incentives, the use of competition, and the market as a model for government. New public [management] is concerned more with humanistic and democratic administration, concerned more with institution building and professional competence..." (Frederickson, 1996, p. 269).

Robert Denhardt and Janet Vinzant Denhart provide a critique of the NPM and offer a new paradigm in the form of "new public service." In their view, the arguments for the new public administration are always framed in the context of the old public administration. In this sense, NPM will always win those arguments (Denhardt &

Denhardt, 2000, p. 549). The new public service is an altogether different movement that can offer a better ideological contrast to NPM.

At heart, Denhardt and Denhardt take issue with the notion that governments ought to “steer.” Focusing too much on steering loses sight of the fact that citizens own the boat in the first place. They assert that the focus of government ought to be on serving and empowering the citizens, while building responsive public institutions with integrity (Denhardt & Denhardt, 2000, p. 549).

The new public service offers seven lessons for public administrators:

1. Serve, rather than steer.
2. The public interest is the aim, not the by-product.
3. Think strategically, act democratically.
4. Serve citizens, not customers.
5. Accountability isn't simple.
6. Value people, not just productivity.
7. Value citizenship and public service above entrepreneurship (Denhardt &

Denhardt, 2000, pp. 553-557).

The lessons and principles of the new public service are markedly different from that of new public management. Denhardt and Denhardt are keen on not losing sight of the fact that governments are there to serve the government interest, and are sure to not throw the baby out with the bathwater when maximizing productivity and flattening hierarchies. The authors realize that their model is normative (as is NPM in many

respects), but public administrators have to assess their core values before executing their vision of bureaucratic reform.

Theoretical Foundations for Privatization

This paper utilizes a few different theoretical foundations. The first is the definition of public good. The second is a conversation on market failure and the necessity for government to provide a service. The last is a conversation on the incentives that can produce government failure in the provision of services.

The first thing to discuss is public goods. It is important knowing what type of good one is trying to provide so that it can be provided effectively and efficiently. A public good is one that is not excludable and nonrival, meaning that people cannot be excluded from using a good, and the use of one person does not affect another's ability to use that product. Classic examples of public goods are lighthouses, radio broadcasts, and national defense (Varian, 1992, p. 414).

There are other types of goods, including private goods, club goods, and common goods. Private goods are excludable and rival, meaning people can be excluded from consuming a good, and their use diminishes another person's ability to use that good. A private good is the ordinary case of goods being bought on the private market: bread, for example. Club goods are excludable and nonrival. An example of this is satellite television, where only those who purchase the receiver are able to use the service, but the number of receivers does not degrade the signal. Lastly, common goods are non-excludable and rival. A crowded street is an example of this because anyone can use the

street, but the more people who use it the less available it is for everyone else (Varian, 1992, pp. 414-415).

Walsh notes five instances in which the private market will fail to provide the “optimum mix of goods and services,” which necessitates government action (1995, p. 6). This list includes public goods, increasing returns to scale, externalities, merit goods, and information asymmetries. Public goods are problematic on the private market because consumers have an incentive to free-ride on the services, leading the market to supply less or none at all (Walsh, 1995, p. 7). Varian (1992) concurs, and states, “[P]rivate markets are often not a very good mechanism for allocating public goods. Generally, other social institutions, such as voting, must be used” (p. 415).

Second, markets may fail when there are increasing returns to scale. This means that there are decreasing unit costs as more products are produced. This usually occurs when a large initial investment is necessary to begin providing the good, which provides a barrier to entry for many firms. This can lead to monopoly conditions in the market (Walsh, 1995, p. 8). Third, markets fail when negative externalities are not priced into the cost of goods. This can take the form of pollution. Fourth, government provision is necessary for merit goods, which are goods that are beneficial to society when all members partake in the good. Examples of this include health and education. Finally, government action can be necessary if there are information asymmetries between the producers and users of a good. This necessitates government regulation or a role as an information provider (Walsh, 1995, pp. 9-12). Megginson (2005) notes that in extreme

cases of asymmetry, regulation is not enough and public ownership of the enterprise is necessary (p. 37).

Now that it has been identified when markets fail and government ought to step in, an examination of the incentives and circumstances that make governments fail is prudent. Megginson (2005) offers four reasons that state ownership is inherently less efficient than private ownership. First, state-owned enterprises (SEOs) are inefficient due to weak or adverse incentives. The profit motive for entrepreneurs in the private sector is axiomatic in economics, but public-sector employees do not have this incentive. Because of this, they rationally choose to not aggressively seek efficiency gains (pp. 38-39). Second, SEOs are argued to be less efficient because of inadequate monitoring. Megginson notes that since SEOs are owned by all citizens collectively, no one person has incentive to monitor SEO managers. Elected leaders also have little incentive to regulate these because it requires a lot of work up front to learn about the organizations, and there is little electoral payoff to doing so (pp. 39-40). Soft budget constraints also hinder SEOs from being optimally efficient. In the private markets, a firm that is inefficient faces bankruptcy or a hostile takeover, but what incentive is there in the public sector? A public manager knows that his funding comes from the government and can feel confident that will continue to be the case (p. 40). Finally, SEOs are inefficient because governments use them to pursue noneconomic objectives. Because SEOs are subject to political forces, they may be driven to make decisions that are not economically optimal because they are politically optimal. This can include building a

factory in politically desirable locations and pricing outputs at below market rates (p. 41).

These are the theoretical foundations that public managers and policymakers must grapple with when deciding to privatize a service or try to effectively provide it through the public sector. They must realize that there are incentives in the private market that make it difficult to provide a public good efficiently and effectively, while there are also incentives in place in the public sector that make providing these goods problematic.

Motivations For Privatization Adoption

Two studies address how different stakeholders form their beliefs about supporting privatization of services. The first study relates to water privatization in Argentina and the beliefs of citizens about such a proposal. The study found that citizens had a negative opinion about water privatization; their average rating of 4 on a 1-10 scale, which is the lowest passing grade in the Argentine school system (Di Tella et al., 2012, p. 565). The study also evaluated how propaganda and program results affected those beliefs. Propaganda had a limited positive effect on citizens' beliefs. With regard to results, the researchers found a statistically significant increase in opinions about privatization. Though significant, the size of the effect is small when taking into account the large gains in access and lower cost experienced by the citizens (Di Tella et al., 2012, p. 565). This study shows that, at the end of the day, citizens want results. If that can be done by privatization, their minds can be changed.

Krebs and Pelissero (2010) investigated city councils and what influences their decisions to adopt Reinventing Government policies. There is a positive correlation between increasing tenure of city administrators and council adoption of reinventing government policies (p. 266). The most consistent significant influence on the adoption of reinventing government policies was the city's economic health (p. 266). With regard to contracting out for services, a strong public union made contracting out for services less probable. Economic health, median household income, and partisan election ballots were positively correlated with adoption of policies for contracting services (p. 264). It is interesting that these reforms are implemented in affluent cities with positive economic momentum, not distressed cities that are desperately in need of reform.

The Case Against Privatization

In *You Don't Always Get What You Pay For*, the title says it all. Sclar (2000) argues that privatization by contracting for services can be useful, but is overworked and overdone. It is most problematic when inputs and outputs of public goods are hard to define (p. ix). Sclar argues that too much in the privatization debate is based on ideology and not enough in pragmatic public management. To the extent that privatization can bring about a smaller government with less responsibility, Sclar believes those proponents will be disappointed. But if their goal is to properly use contracts to make government more cost-effective, then there is promise (2000, pp. 4-5).

The heart of Sclar's argument is that the case for privatization—that competition will increase efficiency and accountability in a public sector awash in inefficiency and perverse incentives—is too simplistic, and does not work in a complex world. Instead of

a world of perfect competition with rational actors having complete information, we have a world with incomplete information, markets that are less competitive than the ideal, and rational actors that are complex decision-making organizations (2000, p. 47). Combine that with the aforementioned hard-to-define inputs and outputs of public goods, and there is a real recipe for disaster.

Funnel et al (2009) take a different tact when critiquing privatization. They argue that core, or “sovereign,” government responsibilities ought not be privatized because of their political necessity, regardless of economic performance. These services include education, defense, police, prisons, public transport, and economic infrastructure (p. 12). On the other hand, peripheral responsibilities such as air travel, cleaning services, banks, and insurance can be privatized effectively because they can operate in the private market more naturally (p. 21).

In times of great distress, such as economic crises or natural disasters, the private markets pull back and seek to minimize any potential harm for themselves. What if the private market is trying to provide a “core” government responsibility during such an event (Funnel et al, 2009, pp. 24-25)?

Another issue in the privatization debate is that of the democratic deficit. In his classic work, Mosher (1982) was already grappling with the fact that appointed bureaucrats, not elected officials, were making the vast majority of decisions in government and these decisions have ramifications on society and the economy (p.1). How is this issue compounded when some government functions are privatized? Funnel

et al. believe that the democratic rights of individuals are being commoditized as the private market raises its level of activity in public functions (2009, p. 270).

Analysis of Privatization Case Studies

Hodge (2000) provides a comprehensive analysis of privatization case studies, both domestically and internationally. Below is the distribution of cost savings for 135 privatization cases from the public sector to the private sector. The mean cost savings is 13.8%, with standard deviation of 38.

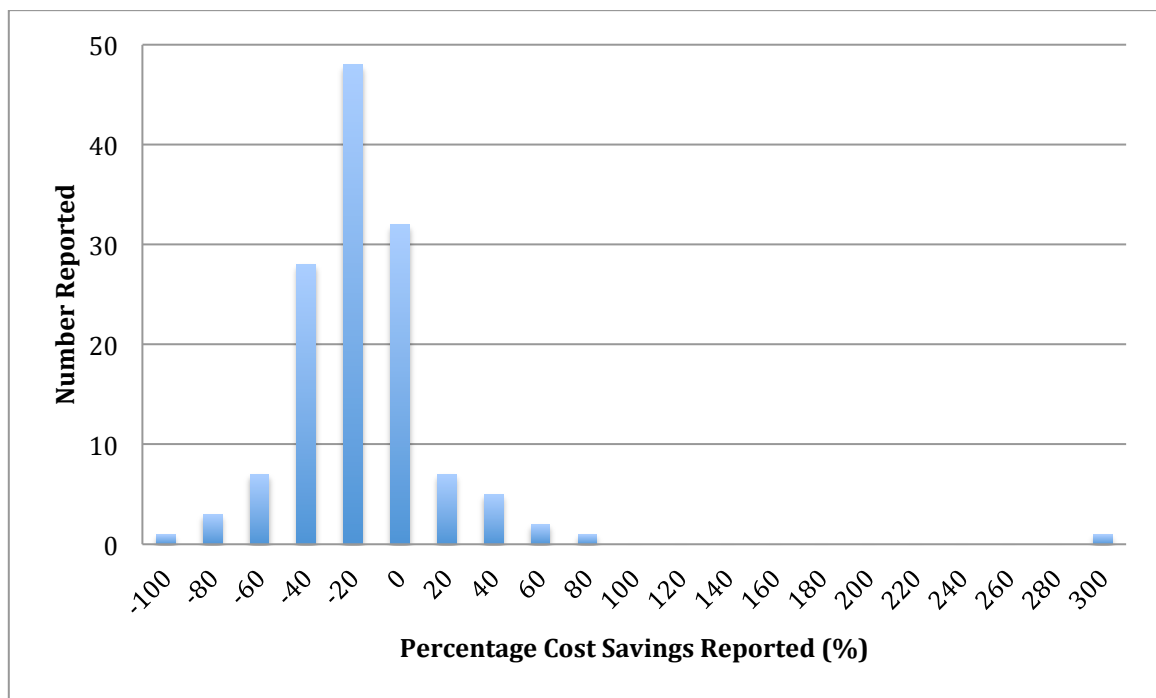


Figure 3.1: Distribution of Reported Cost-Savings Estimates

Source: (Hodge, 2000, Figure 7.1)

The following is a list of studies conducted between 1976 and 1994 on the contracting out of public sector services, as selected by Hodge (2000). These studies have analyzed a wide array of public services both domestically and abroad. The table

below lists the authors, services contracted, change in cost, change in quality of services, and any additional comments.

Table 3.1: Privatization Case Studies, as Selected by Hodge

Study	Country/Activity	Change in Costs (%)	Change in Quality	Comments
Kemper and Quigley 1976	Over 100 US cities, refuse collection	Contracting saved 20%		Private (individual) collection was 30% more expensive than municipal, but contracted collection was 20% than municipal collection
Savas 1977	315 US cities in 1975, four functions	-15 to -29	Improved	Random sample of cities, savings obtained when public and private sector won contract. Regression showed cost savings greatest for largest cities.
Edwards and Stevens 1978	77 US cities in 1975, refuse collection	-10 to -41		Employed econometric and regression models, savings greater for largest cities
Savas 1980	206 US cities, refuse collection	Contracting saved 20%		Price of private collection 22% less than municipal costs
Berenyi 1981	10 US local councils, 1971-77, refuse collection	-7 to -50	None	Cost reduction obtained when either private or public sector won contract
Kramer and Terrell 1984	81 local councils, social and welfare services in San Francisco	Usually reduced		Changes in cost not quantified
Stevens 1984	121 US cities, and eight services in Los Angeles area in 1980	up to 49% cost reduction	Quality maintained	Multiple regression analysis. Savings varied with payroll preparation at the lowest, and asphalt overlay construction at the highest.

Table 3.1 continued

Folz 1985	Productivity is analyzed in 14 US cities	not quantified		Costs reduced for one group of the two analyzed. The productivity of cities that contracted out is higher than those that do not.
Mehay and Gonzalez 1985	53 local council and county governments in US, three functions	-9 to -20		Study of contracting between levels of government, based on regression analysis.
McDavid 1985	126 local councils in Canada, refuse collection	-24 to -29, +28 to -68		Multiple regression, cost reductions usually larger when contract won by private sector rather than mix of private and public contractor.
Hartley and Hubby 1986	213 UK local government councils and NHS	Averaged -26, +28 to -68	Reduced in 25% of cases	Based on a 1985 survey with 57% response rate, data and methodology sound.
Domberger, Meadowcroft, and Thompson 1986	Refuse collection by 305 local councils in UK	-20	No change	Multiple regression, change in cost per ton.
Millward 1986	103 local councils in Switzerland, refuse collection	-20		Employed multiple regression analysis
Pirie 1986	55 local councils in UK, several functions	-20 to -40		Based on survey, but unclear whether sample was representative.
Domberger, Meadowcroft, and Thompson 1987	Domestic services in a sample of over 2000 UK hospitals	-20 to -30		Multiple regression analysis employed.
Feldman 1987	Costs for 68 bus transit firms in the US	"Weak evidence"		Weak evidence only is found for greater private efficiency. Contracting is unlikely to result in significant cost savings

Table 3.1 continued

Moore 1987	US federal government defense and air traffic control	-30 to -50		Review by US Administration of Defense contracts and air traffic control operations
Confederation of British Industry 1988	Range of UK central government, NHS, and local governments	-17 to -28		Cost reductions 23% for central government, 17% National Health Service and 28% local government.
Hensher 1987	London buses in the mid-1980s	Averaged -20		Change in costs compared to public monopoly levels prior to competitive tendering.
Carver 1989	Property tax assessment service for 100 local communities in Massachusetts	+24% more expensive		Multiple regression analysis, controlling for population
Mennenmeyer and Olinger 1989	Hospital care for Medicaid patients, 267 hospitals in CA	-10 to -23		11% to 23% price concessions were achieved by contracting
Pack 1989	15 US councils, several functions	-5 to -60	33% of councils dissatisfied	Initial cost reductions of -5 to -60% declined over a five-year period
Evatt Research Centre 1990	460 local councils in Australia, large number of functions	Usually increased	Usually reduced	Based on observations of survey respondents
Harding 1990	Bus transport in US schools	+18 to -35	None	Two statistical models produced mixed findings.
Rimmer and Webb 1990	127 local councils in Australia, three functions	-10 to -24		Difference in average costs between councils using CTC and those using in-house provision

Table 3.1 continued

Holcombe 1991	Seven privatization agreements for wastewater treatment operations reviewed	Contracts more expensive		After controlling for other factors, theoretical benefits of contracting are not passed onto clients.
Rehfluss 1991	Several case studies in US during 1980s	-19 to -65		Competition, not just contracting, is seen as the driver of efficiencies
Walsh 1991	Survey of 40 UK local councils, several functions	Averaged -6 to -7, +6 to -17		Government-supported study, high-quality data, change in costs after one year of compulsory CTC
Albin 1992	58 cities in Australia, functions not specified	Usually reduced	None	Bivariate regression analysis, cost reductions not quantified
Domberger et al. 1993	65 state government agencies in Australia, several functions	-4 to -51		Cost reductions vary according to function, with building and vehicle maintenance yielding the highest savings, whilst transportation and catering produced less savings
Martin and Stein 1993	Total spending on seven functions over 877 cities in US	-44 to +28%		Although contracting reduced employment, reductions in total spending for the same functions were not found
Paddon 1993	Review of UK and Europe experience	Mixed findings		Savings are not guaranteed, and quality and accountability are problems
Rimmer 1993	327 local councils in Australia, several functions	Commonly no change		Multiple regression, some cost reductions in city councils but not in rural

Table 3.1 continued

Savas 1993	Many US and international studies reviewed	-28 to -50, and -37%		Savings quoted were between 28 and 50% (before and after studies), 33% (time series studies), and 37% from the threat of contracting out.
Farago and Domberger 1994	Survey of government business enterprises	-8 to -46		Enterprises providing gas, water, electricity, and sewerage services.
Green 1994	Productivity ratios for 70 US cities, six functions	Mixed findings		Mixed findings provided little support to suggest that efficiency was higher in cities that used private firms to provide public services.
Centre for Public Services 1995	General review of UK experience in contracting	N/A		Contracted services resulted in corruption and secret business influence in government
Domberger, Hall, and Li 1994	61 contracts for cleaning services in Australia	A 13% increase to a 54% cost decrease	7% decrease to 36% improvement	Competitive tendering reduces prices and raises the performance of contractors. The influence of ownership is negligible.

Source: (Hodge, 2000, Table 7.4)

Out of 39 studies listed by Hodge, 27 show cost reductions when services were contracted out. These studies, though anecdotal, seem to back up the literature that has been reviewed in this section. Privatization and contracting out public services have great promise to increase efficiency and performance through competition and accountability, but by no means constitute a silver bullet. Real concerns are raised when governments contract private services. The Centre for Public Services study in 1995 showed that contracted services “resulted in corruption and secret business influence in

government.” Examples such as this are what opponents to government reform point to, and they are correct in their concern.

Literature on Sandy Springs, Georgia

The literature on Sandy Springs is surprisingly light. For a city that so proudly and publicly privatized the vast majority of its government operations, limited academic research has been undertaken. One such study is an honors thesis written by Stubbs (2008). The study sought to compare the costs of a selected bundle of government services (the selected bundle being the services Sandy Springs contracted for: general operations, public works, culture and recreation, and economic and community development). The study compared Sandy Springs’ expenditure per capita for the bundle of services against other large cities in the area: Marietta, Peachtree City, Duluth, Roswell, and Alpharetta. The study found that Sandy Springs was the most efficient city out of the cities selected for the study. Sandy Springs was 21.7% more efficient than the average in fiscal year 2008 (p. 41). By only analyzing tax expenditure per capita, the study essentially holds output constant, so the study analyzes cost, not value or performance.

CHAPTER 3

METHODOLOGY

The methodology for this study is best divided into two parts: inputs and outputs. The fiscal years examined for each of these cities are 2008 through 2012. The inputs are the actual dollars spent in the defined departments of each city government divided by the population of the city in that year. That yields the city's total expenditure per capita. By holding output constant, this dollars spent per capita figure measures the efficiency of a municipal government, measuring dollars spent per citizen to provide services. The outputs are real data points applicable to the finance, public works, recreation, and community development. The last data points are rankings in overall quality of life studies conducted by other researchers. Utilizing a performance analysis model that measures government output against their inputs gives an indication of a government's performance and effectiveness.

Inputs

Though each city uniquely organizes their respective bureaucracy, this study seeks to pare down their budgets so that real comparisons can be made between the cities. If there is a zero on a budget line, it does not necessarily mean that the city does not spend any money on that particular program, but rather that the city does not have a dedicated department and is housed elsewhere. For example, Johns Creek (until 2012) and Sandy Springs (to date) do not have dedicated information technology departments, but money for information technology is found in their general operations budget. The budget figures are the "amended" or "actual" dollars spent by each city, as found in their

respective budgets for the following fiscal year. This allows us to see what the cities actually spent instead of what they planned to spend in a given fiscal year. The population figures for 2010 are from the U.S. Census taken in that year, while the rest of the population figures are estimates from the U.S. Census Bureau.

Table 3.1: City of Alpharetta Expenditures, FY2008-2012

Department	2008¹	2009²	2010³	2011⁴	2012⁵
City Council	276,864	268,037	286,597	301,165	288,115
City Manager	1,388,398	1,465,559	1,339,210	1,254,194	1,391,344
City Clerk	383,421	313,163	423,018	270,292	275,000
Legal Services	445,587	400,000	400,000	400,000	480,000
Finance	2,310,964	2,801,064	2,859,994	2,866,211	3,011,909
General Operations	0	0	0	0	0
Human Resources	802,173	432,120	402,174	401,777	391,153
Information Technology	1,330,557	1,504,549	1,318,623	1,323,565	1,291,483
Public Works	7,358,261	7,936,459	6,643,472	6,596,083	6,760,909
Recreation	6,803,179	6,996,125	6,768,684	6,668,406	6,708,093
Communications	0	0	0	0	0
Community Development	1,978,747	2,125,786	2,118,403	2,028,382	1,961,072
Total Expenditure	23,078,151	24,242,862	22,560,175	22,110,075	22,559,078
Population	54,830	56,286	57,551	59,387	61,981
Exp. Per Capita	420.90	430.71	392.00	372.30	363.97

1. City of Alpharetta, 2008, p. 22.
2. City of Alpharetta, 2009, p. 27.
3. City of Alpharetta, 2010, p. 31.
4. City of Alpharetta, 2011, p. 34.
5. City of Alpharetta, 2012, p. 42.

Table 3.2: City of Johns Creek Expenditures, FY2008-2012

Department	2008¹	2009²	2010³	2011⁴	2012⁵
City Council	269,100	219,870	277,617	235,985	266,294
City Manager	821,500	902,325	1,092,463	1,450,074	1,441,697
City Clerk	314,300	197,572	188,115	346,596	397,265
Legal Services	569,000	492,900	525,000	600,000	600,000
Finance	1,657,200	1,538,693	1,473,958	1,351,198	1,423,425
General Operations	5,989,120	5,809,887	5,209,986	835,678	279,043
Human Resources	0	83,731	558,724	2,858,175	2,858,175
Information Technology	0	0	0	0	0
Public Works	6,943,342	7,253,839	6,747,885	5,981,216	5,981,216
Recreation	764,865	813,579	879,433	1,536,279	1,536,279
Communications	0	0	0	1,018,014	1,018,014
Community Development	5,854,200	5,333,287	4,827,732	3,121,329	3,121,329
Total Expenditure	23,182,627	22,645,683	21,780,913	19,334,544	18,922,737
Population	72,844	74,929	76,728	79,473	82,306
Exp. Per Capita	318.25	302.23	283.87	243.28	229.91

1. City of Johns Creek, 2008, p. 1.
2. City of Johns Creek, 2009, p. 1.
3. City of Johns Creek, 2010, p. 1.
4. City of Johns Creek, 2011, p. 1.
5. City of Johns Creek, 2012, p. 36.

Table 3.3: City of Milton Expenditures, FY2008-2012

Department	2008¹	2009¹	2010¹	2011¹	2012¹
City Council	555,565	193,296	144,069	143,207	173,224
City Manager	393,809	191,702	256,736	287,427	290,917
City Clerk	535,812	650,477	340,769	203,138	207,949
Legal Services	280,528	179,943	229,397	195,979	231,642
Finance	824,050	1,136,717	694,769	462,168	458,680
General Operations	0	0	31,769	29,866	40,157
Human Resources	358,832	337,410	206,264	218,681	236,799
Information Technology	682,064	975,986	833,190	448,021	484,523
Public Works	1,756,381	2,190,954	1,702,796	1,323,860	1,490,622
Recreation	159,413	158,457	135,109	313,815	367,880
Communications	175,236	499,884	217,878	80,257	86,813
Community Development	1,365,308	1,620,631	866,124	699,316	802,453
Total Expenditure	7,086,998	8,135,457	5,658,870	4,405,735	4,871,659
Population	29,210	31,119	32,661	33,893	35,015
Exp. Per Capita	242.62	261.43	173.26	129.99	139.13

1. City of Milton, 2012a, p. 14.

Table 3.4: City of Roswell Expenditures, FY2008-2012

Department	2008¹	2009¹	2010²	2011³	2012⁴
City Council	450,837	426,933	427,265	403,224	410,737
City Manager	370,915	433,925	404,724	448,496	489,226
City Clerk	0	0	0	0	0
Legal Services	407,562	457,348	457,614	496,870	469,017
Finance	2,266,544	2,424,313	2,323,659	2,203,545	2,350,432
General Operations	1,007,073	751,049	957,950	626,532	577,119
Human Resources	553,545	563,144	550,656	461,418	440,873
Information Technology	1,320,599	1,337,665	1,368,393	1,437,446	1,541,397
Public Works	1,548,497	1,698,177	2,063,892	1,708,987	955,353
Recreation	10,512,064	10,068,447	9,919,893	9,801,924	9,874,192
Communications	419,246	434,386	402,434	407,597	406,409
Community Development	3,534,854	3,698,776	3,589,322	3,208,895	3,014,000
Total Expenditure	22,391,736	22,294,163	22,465,802	21,204,934	20,528,755
Population	85,751	87,089	88,346	91,142	93,692
Exp. Per Capita	261.13	255.99	254.29	232.66	219.11

1. City of Roswell, 2010, pp. 91-207, 251-297.
2. City of Roswell, 2011, pp. 77-176, 211-248.
3. City of Roswell, 2012, pp. 77-177, 211-251.
4. City of Roswell, 2013, pp. 84-196, 237-294.

Table 3.5: City of Sandy Springs Expenditures, FY2008-2012

Department	2008¹	2009¹	2010²	2011²	2012³
City Council	146,946	161,059	152,794	145,560	148,490
City Manager	528,986	684,716	749,268	676,322	582,376
City Clerk	161,628	50,533	565,925	418,786	114,817
Legal Services	461,046	708,315	726,335	673,769	822,107
Finance	1,928,143	2,064,354	1,225,373	2,932,296	2,117,674
General Operations	9,330,516	10,029,320	10,908,320	8,375,978	2,159,794
Human Resources	0	0	0	0	0
Information Technology	0	0	0	0	1,629,889
Public Works	9,509,930	10,512,231	10,569,874	12,217,511	9,673,690
Recreation	1,136,275	1,040,814	2,462,009	2,574,783	2,709,325
Communications	0	0	0	0	1,380,873
Community Development	6,282,777	6,505,741	6,986,097	3,764,554	2,631,710
Total Expenditure	29,486,247	31,757,083	34,345,995	31,779,559	23,970,745
Population	90,980	92,466	93,853	96,944	99,419
Exp. Per Capita	324.10	343.45	365.96	327.81	241.11

1. City of Sandy Springs, 2010c, pp. 23-30, 37-40.

2. City of Sandy Springs, 2012b, p. 37.

3. City of Sandy Springs, 2013, p. 1.

Table 3.6: Expenditure Per Capita, FY2008-2012

City / Year	2008	2009	2010	2011	2012
Alpharetta	420.90	430.71	392.00	372.30	363.97
Johns Creek	318.25	302.23	283.87	243.28	229.91
Milton	242.62	261.43	173.26	129.99	139.13
Roswell	261.13	255.99	254.29	232.66	219.11
Sandy Springs	324.10	343.45	365.96	327.81	241.11
Average	310.73	312.59	275.86	244.56	238.03

(Note: The “Average” figures do not include Sandy Springs.)

This study uses the expenditure per capita figures from Table 3.6 in its performance analysis. As these figures are the denominator of the model, a city that spends less per capita receives a better performance score.

Outputs

The outputs used by this study have been chosen for a few different reasons. First, the data had to be collected by all of the cities so that appropriate comparisons can be drawn. Second, since the data had to be collected by the author through the use of interviews, emails, public information requests, and city annual reports, the data needed to be public. Finally, the data collected needed to address government capacity and/or the wellbeing of the city. This analysis is by no means comprehensive, but does provide a foundation for further analysis. The output data are meant to compare each city's community development, finance, parks and recreation, and public works departments, as well as the city's overall quality of life.

The data presented in the following pages were turned into rankings (1=lowest through 5=highest) to compare each city's performance with each other. These rankings were then used in the numerator of a performance model, so that a higher score is better.

Community development. The data used to measure community development departments are the number of residential and commercial construction permits issued, as well as the total number of business licenses issued. The assumption is that more is better for two reasons. First, it assesses the community development departments' ability to process a high volume of permits. More permits and licenses also are an indicator of a healthy city, where private persons and businesses are investing in their homes and businesses in the city.

Table 3.7: Residential and Commercial Construction Permits Issued, FY2008-2012

City/Year	2008	2009	2010	2011	2012
Alpharetta¹	851	585	618	740	770
Johns Creek²	559	208	272	277	417
Milton³	553	397	376	351	454
Roswell⁴	126	59	80	139	177
Sandy Springs⁵	1516	1254	No Data	No Data	705
Average	522	312	337	377	455

1. D. Crowley, personal communication, October 25, 2013.
2. C. Lindo, personal communication, October 15, 2013.
3. S. Wilmath, personal communication, October 22, 2013.
4. M. Press, personal communication, October 18, 2013.
5. R. Talbert, personal communication, October 29, 2013.

(Note: According to Sandy Springs community development officials, the department does not have data for FY2010 or FY2011. For the assigned rankings, Sandy Springs will be ranked last (5) instead of estimating the figures for those years.)

Table 3.8: City Rankings for Construction Permits Issued, FY2008-2012

City/Year	2008	2009	2010	2011	2012
Alpharetta	2	2	1	1	1
Johns Creek	3	4	3	3	4
Milton	4	3	2	2	3
Roswell	5	5	4	4	5
Sandy Springs	1	1	5	5	2

Table 3.9: Total Business Licenses Issued, FY2008-2012

City/Year	2008	2009	2010	2011	2012
Alpharetta¹	3564	3836	4183	4159	4198
Johns Creek²	2929	2753	2525	2516	2500
Milton³	No Data	No Data	No Data	1140	966
Roswell⁴	5403	5293	4973	5187	5208
Sandy Springs⁵	619	658	669	629	737
Average	3965	3961	3894	3251	3218

1. D. Crowley, personal communication, October 25, 2013.
2. C. Lindo, personal communication, October 30, 2013.
3. S. Wilmath, personal communication, October 22, 2013.
4. M. Press, personal communication, October 17, 2013.
5. P. Wheeler, personal communication, October 21, 2013.

Table 3.10 City Rankings for Total Business Licenses Issued, FY2008-2012

City/Year	2008	2009	2010	2011	2012
Alpharetta	2	2	2	2	2
Johns Creek	3	3	3	3	3
Milton	5	5	5	4	4
Roswell	1	1	1	1	1
Sandy Springs	4	4	4	5	5

Finance. As a proxy for the city's financial health, this study uses the city's municipal bond rating for the rankings. Alpharetta and Roswell have AAA ratings from Moody's. The cities with AAAM rankings participate in a statewide fund. This is judged to be second to having a AAA rating on one's own. Johns Creek does issue bonds because a clause in their charter precludes them from obtaining a good rating from the ratings agency (Bodker, 2011).

Table 3.11 Municipal Bond Rating, FY2008-2012

City/Year	2008	2009	2010	2011	2012
Alpharetta¹	AAA	AAA	AAA	AAA	AAA
Johns Creek	-	-	-	-	-
Milton²	-	-	-	-	AAAm
Roswell³	AAA	AAA	AAA	AAA	AAA
Sandy Springs⁴	AAAm	AAAm	AAAm	AAAm	AAAm

1. Moody's, 2013a.

2. City of Milton, 2012b, p. 25.

3. Moody's, 2013b.

4. City of Sandy Springs, 2008b, p. 25; City of Sandy Springs, 2009b, p. 25; City of Sandy Springs, 2010c, p. 30; City of Sandy Springs, 2011a, p.30; City of Sandy Springs, 2012a, p. 26.

Table 3.12 City Rankings for Municipal Bond Rating, FY2008-2012

City/Year	2008	2009	2010	2011	2012
Alpharetta	1	1	1	1	1
Johns Creek	4	4	4	4	5
Milton	4	4	4	4	3
Roswell	1	1	1	1	1
Sandy Springs	3	3	3	3	3

Parks and recreation. An indicator of a healthy parks and recreation department is the number of participants who sign up for its programs. The assumption here is that the more people who sign up, the higher the quality of the programs and/or the more diverse are the offerings. To control for population differences between the cities, this study utilizes participation rate (total participants divided by population).

Table 3.13: Total Program Participants, FY2008-2012

City/Year	2008	2009	2010	2011	2012
Alpharetta¹	11,749	13,264	15,554	15,672	18,789
Johns Creek²	6,654	5,178	3,544	5,241	5,032
Milton³	0	0	0	1,100	7,300
Roswell⁴	38,380	38,777	34,578	34,282	33,507
Sandy Springs⁵	7,250	9,010	8,050	36,500	36,500
Average	14,196	14,305	13,419	14,074	16,157

1. City of Alpharetta, 2008a, p. 10; City of Alpharetta, 2009b, p. 10; City of Alpharetta, 2010b, p. 10; City of Alpharetta, 2011b, p. 10; City of Alpharetta, 2012b, p. 10.

2. C. Lindo, personal communication, October 25, 2013.

3. City of Milton, 2012, p. 29.

4. M. Press, personal communication, October 18, 2013.

5. P. Wheeler, personal communication, October 25, 2013.

Table 3.14: Participation Rate, FY2008-2012

City	2008	2009	2010	2011	2012
Alpharetta	21.43%	23.57%	27.03%	26.39%	30.31%
Johns Creek	9.13%	6.91%	4.62%	6.59%	6.11%
Milton	0.00%	0.00%	0.00%	3.25%	20.85%
Roswell	44.76%	44.53%	39.14%	37.61%	35.76%
Sandy Springs	7.97%	9.74%	8.58%	37.65%	36.71%
Average	18.83%	18.75%	17.70%	18.46%	23.26%

Table 3.15: City Rankings for Participation Rate, FY2008-2012

City	2008	2009	2010	2011	2012
Alpharetta	2	2	2	3	3
Johns Creek	3	4	4	4	5
Milton	5	5	5	5	4
Roswell	1	1	1	2	2
Sandy Springs	4	3	3	1	1

Public works. The output this study uses to measure the performance of each city's public works department is the number of miles paved or resurfaced in a year. The quality of roadways in a city is important for a city's image, as well as for the functional aspect of moving people around. The latter is especially true in congested, suburban Atlanta.

Table 3.16: Total Miles Repaved or Resurfaced, FY2008-2012

City/Year	2008	2009	2010	2011	2012
Alpharetta¹	22.6	9.1	11.6	39.0	5.0
Johns Creek²	3.5	0.0	6.1	3.6	0.9
Milton³	4.2	0.0	9.4	13.7	11.3
Roswell⁴	6.6	15.2	20.5	23.1	8.3
Sandy Springs⁵	23.0	28.0	30.0	7.2	7.5
Average	9.2	6.1	11.9	19.9	6.4

1. P. Sewczwicz, personal communication, October 22, 2013.
2. C. Lindo, personal communication, October 18, 2013.
3. City of Milton, 2011, p. 45; City of Milton, 2012, p. 11.
4. M. Press, personal communication, October 17, 2013.
5. City of Sandy Springs, 2008a, p. 20; City of Sandy Springs, 2009a, p. 15; City of Sandy Springs, 2010a, p. 15; City of Sandy Springs, 2011c, p. 10; City of Sandy Springs, 2012b, p. 9.

Table 3.17 City Rankings for Total Miles Repaved or Resurfaced, FY2008-2012

City/Year	2008	2009	2010	2011	2012
Alpharetta	2	3	3	1	4
Johns Creek	5	4	5	5	5
Milton	4	4	4	3	1
Roswell	3	2	2	2	2
Sandy Springs	1	1	1	4	3

Quality of life. The primary goal of every policymaker and public servant in municipal government is to maintain the highest quality of life possible for citizens and constituents. The difficulty with measuring quality of life is its inherent subjectivity. Each citizen likes or dislikes his/her city for personal reasons. To grapple with that fact, this study found four quality of life rankings published during the five years presently examined. Each city's position in the four rankings was averaged. The scores from this average were ranked and included in each year's performance model.

Study 1 lists the top 100 cities in Georgia based on a "livability score." The methodology includes amenities, cost of living, crime rates, education, employment, housing, and weather ("AreaVibes Methodology," 2013). Study 2 examines median household income, average educational attainment, and property crime rates (Grant, 2011). Study 3 is arguably the most comprehensive of these rankings, with 20 variables analyzed. The factors utilized in Thomas (2011) include inward migration, percentage of young adults, commuting times, housing affordability, and quality jobs in the city (classified as management or professional). Study 4 looks at the real estate market in each of these cities. This is a measure of how desirable it is to live in each city. The factors analyzed are number of houses sold and average number of days on the market ("Atlanta's 100 Most Popular Neighborhoods," 2011). The "QOL Rank" is the final figure used in the performance model.

Table 3.18: Quality of Life Rankings

City	Study 1	Study 2	Study 3	Study 4	Average	QOL Rank
Alpharetta	2	1	3	1	1.75	1
Johns Creek	4	4	2	3	3.25	3
Milton	4	4	1	5	3.5	4
Roswell	1	2	4	1	2	2
Sandy Springs	3	3	5	4	3.75	5

Performance Evaluation

To run the performance evaluation, these rankings that have been compiled thus far need to be turned into scores. To convert the rank into points, this study will assign 5 points for a ranking of 1, 4 points for 2nd, and so on. To assign a final performance score for each city for a given fiscal year, this study used the equation:

$$\frac{\text{Total Points}}{\text{Expenditure per capita}} \times 100 = \text{Performance Score}$$

CHAPTER 4

RESULTS AND DISCUSSION

The following tables show each city's total points, the expenditure per capita, and the final performance scores.

Table 4.1: Total Points, FY2008-2012

City/ Year	2008	2009	2010	2011	2012
Alpharetta	26	25	26	27	24
Johns Creek	15	14	14	14	11
Milton	10	11	12	14	17
Roswell	25	25	25	24	23
Sandy Springs	16	18	15	13	17

Table 4.2 Expenditure Per Capita, FY2008-2012

City / Year	2008	2009	2010	2011	2012
Alpharetta	420.90	430.71	392.00	372.30	363.97
Johns Creek	318.25	302.23	283.87	243.28	229.91
Milton	242.62	261.43	173.26	129.99	139.13
Roswell	261.13	255.99	254.29	232.66	219.11
Sandy Springs	324.10	343.45	365.96	327.81	241.11
Average	310.73	312.59	275.86	244.56	238.03

(Note: Average figures do not include Sandy Springs.)

Table 4.3: Performance Scores, FY2008-2012

City/Year	2008	2009	2010	2011	2012
Alpharetta	6.177	5.804	6.633	7.252	6.594
Johns Creek	4.713	4.632	4.932	5.755	4.784
Milton	4.122	4.208	6.926	10.770	12.219
Roswell	9.574	9.766	9.831	10.315	10.497
Sandy Springs	4.937	5.241	4.099	3.966	7.051
Average	6.171	6.103	7.080	8.523	8.524

(Note: Averages do not include Sandy Springs.)

Expenditure Per Capita

Between FY2008 and FY2012, each city government cut their total expenditure per capita. This was a function of increasing population in all cities, as well as the effects of the recession manifested in budget cuts and declining tax receipts. Purely from a cost perspective, Sandy Springs is not the most efficient city government in this study.

Against the average in FY2010 and FY2011, Sandy Springs' expenditure per capita was more than 30% higher.

Table 4.4: Sandy Springs Expenditure Per Capita Versus Average, FY2008-2012

Fiscal Year	Sandy Springs	Average	Difference
2008	324.10	310.73	4.30%
2009	343.45	312.59	9.87%
2010	365.96	275.86	32.66%
2011	327.81	244.56	34.04%
2012	241.11	238.03	1.29%

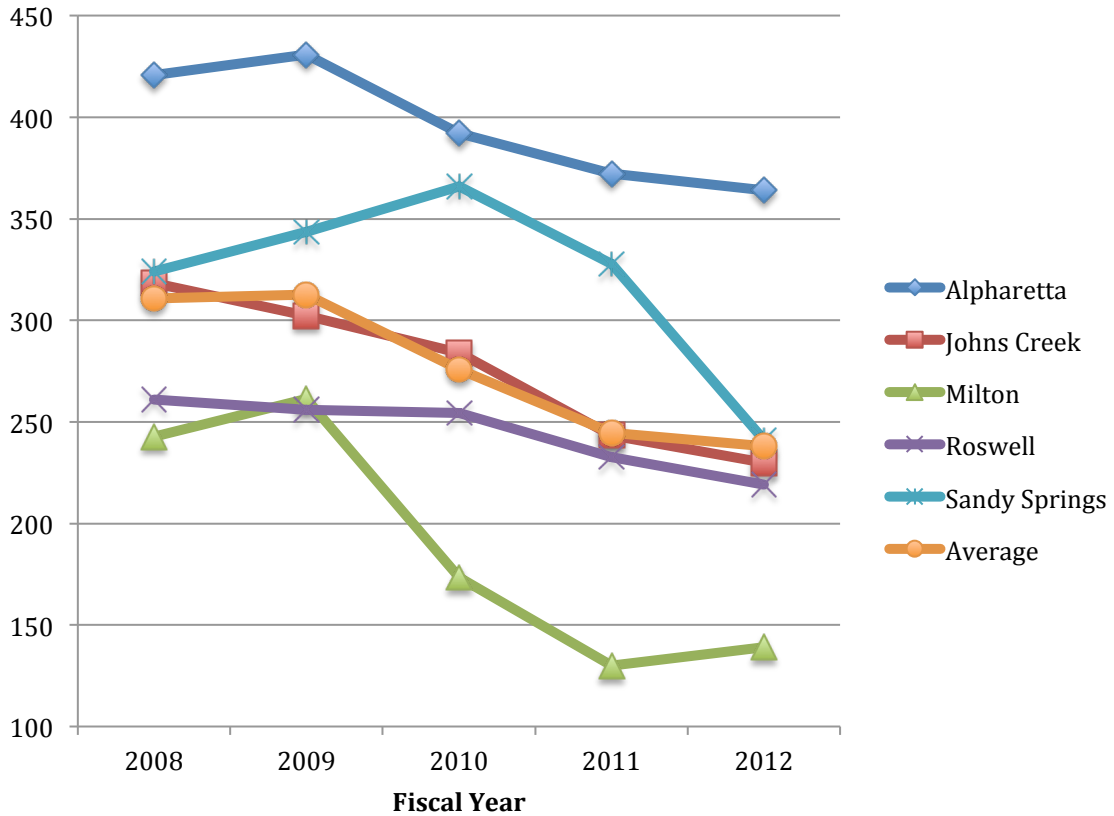


Figure 4.1: Expenditure Per Capita, FY2008-2012

Milton had the lowest cost of government to citizens, and it cut costs in an interesting way: by switching from contracting out for services to the traditional public sector model. After contracting out all its government services to CH2M-Hill for three years, the city found cost savings by hiring its own personnel. Milton did this for FY2010, and the result is unmistakable in Figure 4.1. Interestingly, Sandy Springs also saw its largest cost savings when it shifted away from CH2M-Hill and instead competitively contracted out for each service. As a result of rebidding its contracts,

Sandy Springs returned toward the sample average, with costs similar to Johns Creek and Roswell.

Performance Scores and Analysis

But costs are only one side of the equation in this study. If Sandy Springs in 2010 and 2011 had 30% higher costs, but 40% higher quality services, it would fare well in the analysis. Likewise, if Milton cut costs as it did, but also found a lower quality of public services, its performance score would suffer.

As we can see, this was not the case. As Milton cut costs, it also increased its performance score, as the city produced better government services over time.

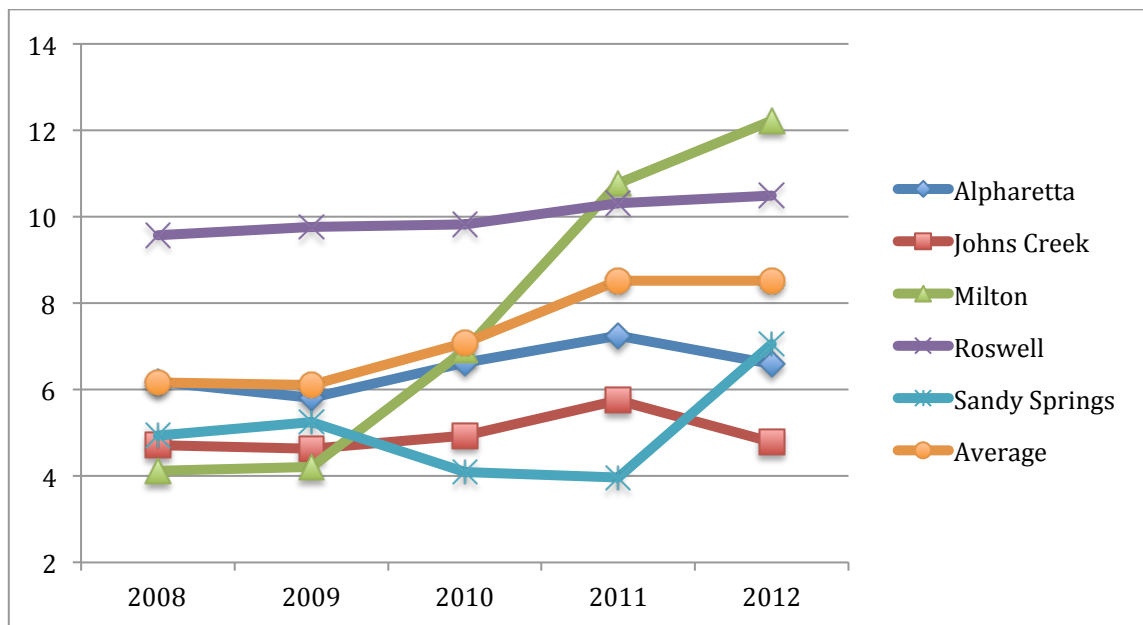


Figure 4.2: Performance Scores, FY2008-2012

As we can see from Table 4.1, Alpharetta and Roswell consistently had the most total points over the years included in the study. But Roswell was able to accomplish this at 68% of the cost of Alpharetta, and was ranked first in performance in FY2008-2010.

In FY2011 and 2012, Milton overtook Roswell as the highest performer although Roswell had a higher number of total points because of the cost savings Milton had found since 2010. It is assumed that if Milton wanted to produce the same level of service that Roswell has enjoyed, it could do so cost-effectively. It is worth noting that Johns Creek also saw an uptick in performance from FY2010 onwards, which correlated with its restructuring of contracts with CH2M-Hill.

Sandy Springs was below average in performance each year in this study, although its best performance came in 2012 when it shifted away from CH2M-Hill. Sandy Springs' performance score took a hit in 2010 and 2011, in part, because community development officials were unable to retrieve construction permit data. If they had, it is assumed, that their scores would still be below average, and more similar to those of Johns Creek.

CHAPTER 5

CONCLUSION

From this analysis, it cannot be said that the Sandy Springs model is most efficient or most effective. With regard to cost, Sandy Springs was average only in FY2008 and 2012, and its performance was below average for all years examined in this study. Perhaps these findings are not as damning for the “Sandy Springs model” as it is for the city’s relation to CH2M-Hill. Each city that restructured its government service model away from CH2M-Hill found cost savings and/or performance increases after doing so. This includes the city of Milton, which went from the worst performance score in 2009 to the best by 2011 after ending its contract with CH2M-Hill in 2010.

Of course this present study is not conclusive, and further research is necessary in this area. Citizens and policymakers in Sandy Springs could argue that this paper asks the wrong question to start with; a more appropriate time frame for this analysis may not be from 2008 to 2012, but from 2004 to 2006, in order to do a before-and-after comparison over time of the Fulton County government to the City of Sandy Springs. It could be argued that bundling all services with one company is not the best way to provide services, but it is the best way to start a city from scratch. Also, this study does not take into account citizen satisfaction surveys, which would gauge the perceptions of Sandy Springs’ citizens, who had fought for incorporation for years.

Further Research

Because of the limited scope of the present study, more analysis on the “Sandy Springs model” is necessary to give a broader view on the impact of this policy. A more

conclusive study would have a larger sample, one that includes cities from elsewhere in Georgia, the South, and the country more broadly. Though Sandy Springs was found to be below average in this study, this is not to say its performance was below average in general. This study can only say that Sandy Springs was found to perform below the average out of a sample of 5 affluent communities in Georgia. In addition to this, the experiment in Sandy Springs is still relatively young. As time passes, Sandy Springs' new model of competitive bidding for each service (and not bundling the contracts for all services) deserves to be examined further. These methods of extreme privatization are extremely interesting to examine, if not necessarily the most effective from the perspective of policy implementation and policy analysis.

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