

**CH2MHILL®**

# National Association of Regional Councils

## Public-Private Partnerships:

*A New Regional Solution*



Regional Metropolitan and  
Urban Policy Forum

September 27, 2010

# The Sandy Springs Model Of Government Is A Bold, New Experiment, Unique To The Industry

## Sandy Springs operator selected

Commission to recommend that Colorado firm handle both administrative, public services.

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The Governor's Commission on Sandy Springs will propose to the new City Council that the Colorado-based firm of CH2M Hill-OMI manage the city's administrative functions and run the hands-on parts of the government. The proposed contract with the company would be less than \$32 million annually.

Following a unanimous vote Wednesday by the commission, CH2M Hill-OMI immediately will begin working out details on how to operate the newly created city of almost 90,000. But it will do so without a contract, which could be approved Dec. 1 at the earliest. That's when the community of Sandy Springs officially becomes the city of Sandy Springs.

- City considered three governmental models—Oliver Porter was architect of private-sector model
- Largest outsourcing of general government services in US history
- Model for other new governments



# The Public/Private Partnership Between Sandy Springs And CH2M HILL Is A Benchmark Effort

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- Landmark contract is the most extensive and diverse outsourced governmental service offering of its type anywhere in the US—much interest and attention locally and nationwide
- Officially began in December, 2005 (we actually started in September), numerous briefings as a part of the Council education and community awareness program conducted by Oliver Porter
- Idea to be non-traditional government, efficient, nimble, responsive, and flexible
- Allow elected officials to “focus” on governing

# Key Ingredients To A Successful Public-Private Partnership

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- Political will for a paradigm change
- Clear understanding of goals and objectives to be achieved
- Understanding of the options available
- Consensus among decision-makers
- Clearly defined competition process
- Equitable sharing of risks
- Open dialogue to enable continuous improvement
- Ability to measure performance and value

# Outsourced City Operations Include All Services Except Police, Fire, and 911

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## ***Public works and transportation***

- Transportation planning and traffic engineering
- Streets and right-of-way maintenance
- Storm water maintenance and compliance
- Utilities coordination/citizen assistance
- Capital Improvement Program (CIP) management

## ***Community development***

- Planning and zoning
- Building and development (all permitting, inspections, C.O.s)
- Code enforcement

## ***Parks and recreation***

- Program administration and scheduling
- Community liaison
- Parks maintenance

# Outsourced City Operations Include All Services Except Police, Fire and 911

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- Administrative services***
  - Customer service and call center
  - Contract administration and facilities/fleet management
  - Policy implementation
  - Daily communications (Web site, newsletter, media)
  - Records management (internal and open records requests)
  - Information technologies, telephone systems, GIS
  - Business systems development and implementation
  - Court services
  - Human resources
- Financial services***
  - Revenue collection
  - Budgeting and forecasting services
  - Accounting services
  - Purchasing

# The Sandy Springs Experience

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- **Carl Vinson Institute of Government**, University of Georgia, Assessment of Fiscal Impacts of Incorporation - \$20M + Estimated vs. Actual Expenditures
- **Call Center** - 17,000 calls/month vs. original plan of 3,000 calls/month
- **Licenses** - business and alcoholic beverages & revenue collections; no staff increase for 4,000-9,000 licenses...
- **Court Clerk** - complete staff; original plan 6 months ahead of schedule, began with 85 officers—115 now +planning more w/o add'l staff
- **Public Works** - new approach to department organization and staffing, traffic and transportation improvements (signalization and signage up to operating stds + GDOT support), community appearance, COA water support, assistance from GDOT and others due to organization, moved from reactive to proactive asset management
- **GIS** - far beyond original scope (info from FULCO/ARC/GDOT), in support of all General Government and Public Safety functions (GPS location of signs, licenses; response time studies, etc)

# Innovations And Value Add

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- Revenue enhancement project—outstanding results
- Storm water utility and available funding to reduce abundant needs
- IMS for asset management & rapid development of pavement management program
- GIS enhancements; fire and ambulance response time studies, real-time command scenarios, community development (tree canopy )
- Traffic Management Center; Sandy Springs and PCID
- Transparent public meeting and information processes; moved to open house format vs. individual town hall and district meetings

# Current and Future Business Initiatives

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- Further development of shared services platforms; reduce staff required and resultant costs - \$2.1M for FY-11
- Customized Customer Service Training Program
- Final development of Performance Measures/Metrics and Standard Operating Procedures, to enable:
  - migrate to level-of-service contract w/ performance incentives
  - improved business systems and efficiencies
  - continued reduction in delivery costs
  - continuous deployment of leading edge technology

# Public-Private Partnership (*Outsourcing*) – Fast Facts Summary

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- City maintains ownership of assets
- City retains budget control
- Private sector is responsible for staffing and all O&M or service costs
- Private sector responsible for normal repair/replacement of equipment
- City controls capital planning and expenditures
- Employees work for CH2M HILL OMI
- Employees serve as “staff” to CM or CAO
- Essentially it is a **“*services contract*”**

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## Global Economic Effects on Outsourcing

# The Global Economic Crisis

## Effect On Outsourcing

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- The global economic crisis has had a direct impact on the existing outsourcing programs at most companies.
- In January 2009, 42 percent of respondents indicated that existing outsourcing contracts at their companies were unchanged from 12 months earlier.
- By September 2009 this was down to 19 percent and by January 2010 it was 16 percent.
- Companies have clearly been changing their current outsourcing programs in response to the dramatic economic changes.

# IAOP Survey

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- The largest percentage of companies have been renegotiating current contracts to adjust prices and increase volumes.
- By January 2010, 44 percent of companies had done so.
- Contracts up for renewal have increased the volume of work or scope of services outsourced by a 2-to-1 margin
- Only 2 percent of companies indicated that they had significantly curtailed or cancelled their existing outsourcing contracts

# The Future of Outsourcing - IAOP

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- As companies now look to the future, they expect to continue to increase the size and scope of their outsourcing programs
- In January 2009, 36 percent of respondents indicated that their companies were expanding their future outsourcing programs
- By September 2009 this number was 47 percent
- By January 2010 it was up to 56 percent and by February 2010 survey results of the IAOP indicated that it was now 70 percent

# Public Outsourcing and IGA's - Trends

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- ICMA 2007 survey of 6,000 cities for ASD
- 20% - IGA Intergovernmental agreements (contracting)
- 18% - PPP Public private partnerships
- 8% - Non-Profit, i.e. day care, arts and cultural, health
- 54% - Direct Public Services or Combination
- At the time, growth toward IGA's for transit, airports, libraries, tax assessing, and health and human services
- Current trend toward PPP primarily due to economic conditions
- Why choose alternative service delivery?

# Motivators: Private Service Delivery

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- Decrease costs or service delivery - 87.2%
- External fiscal pressures (TEFs) - 50.3%
- Unsolicited proposals – 15.9%
- Political climate change – 14.0%
- Concerns over Government liability – 12.5%
- State/Federal Mandates tied to IGA financing – 9.9%
- Citizen groups and other – 16%

# Motivators: Intergovernmental Contracting

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- Alternative to consolidated regional government
- Allows governments efficiency gains, economy of scale, and preserves local voice and local control
- Strengthens intergovernmental collaboration and promotes regional service integration
- Primary motives: Save money and achieve economy of scale
- Obstacles: Concern over loss of community control, opposition from employees and elected officials, and concern about monitoring agreements

# Future ?

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- **Direct Public Delivery of Services** – Continue to be most widely used model – Must continue to improve efficiency and innovative service delivery programs
- **Intergovernmental Contracting** – Will continue to grow but must develop improved systems of monitoring agreements, cost, performance, citizen satisfaction
- **Public Private Partnerships** – Will also continue to grow to meet demands for cost efficiency, responsiveness, capping of pension and benefit liabilities and debt burden
- IGA's and PPP's will best serve to promote regional cooperation and improve competition

# PPP Models Effect On Regionalism

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- Encourages use of shared services platform among metro governments
- Can “broker” services and agreements between jurisdictions
- Provide support for COG’s – financial and technical
- Assist in extending and nurturing relationships across borders
- Leverage relationships with DOT and Feds
- Revenue Enhancement – rural and urban benefits
- Other????

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## Advantages to Shared Regional Systems

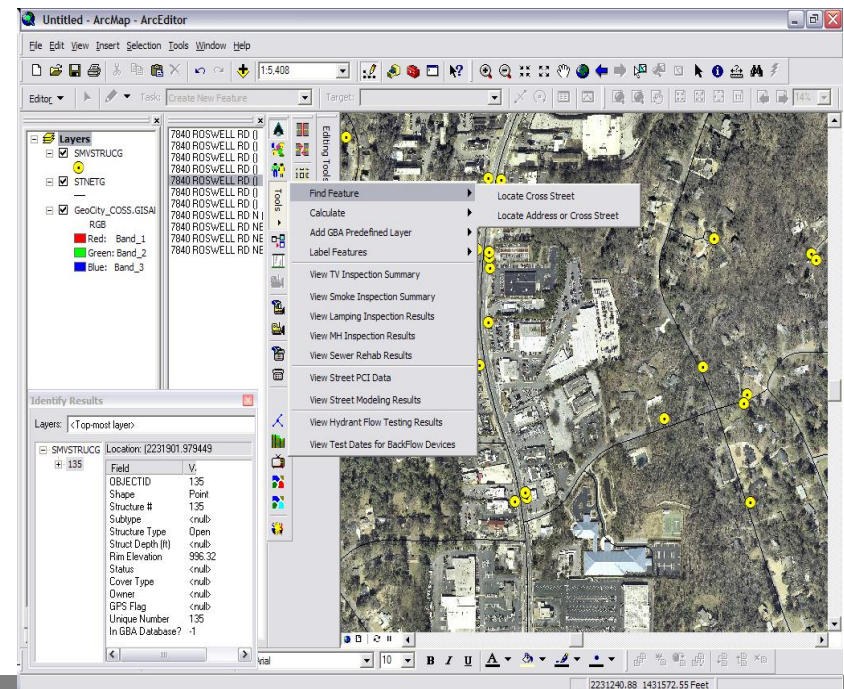
*Shared Services Model*



# Shared Regional GIS

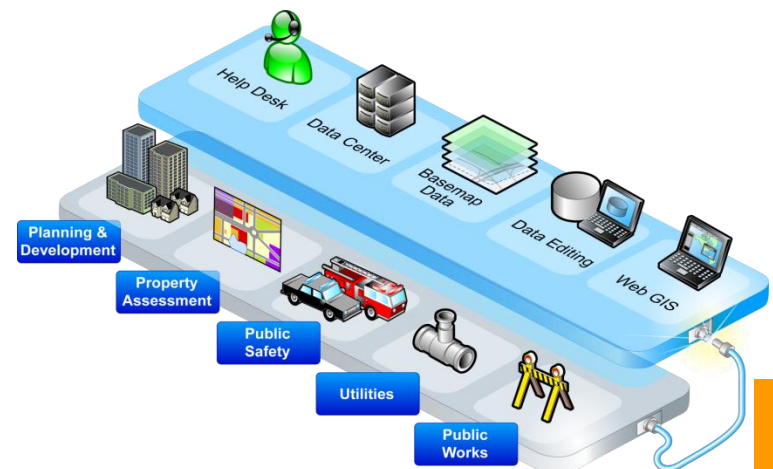
## Initial and Operational Costs

- Lower initial costs
- Lower shared costs for system maintenance
- Resource sharing for map maintenance
  - Lower cost of operation



# Shared Regional GIS Data Sharing Advantages

- Shared Maps/Shared Data
- Consistency of Platform
- Consistency of Layering Scheme
- Ease of Data Sharing
- Easier cross-jurisdictional use
  - General Government
  - Public Safety



# Advantages of a Regional Traffic Management Center (TMC)

- Maximize available capacity of the area-wide roadway system
- Minimize the impact of roadway incidents
- Assist in the provision of emergency services
- Improve air quality through reduced emissions

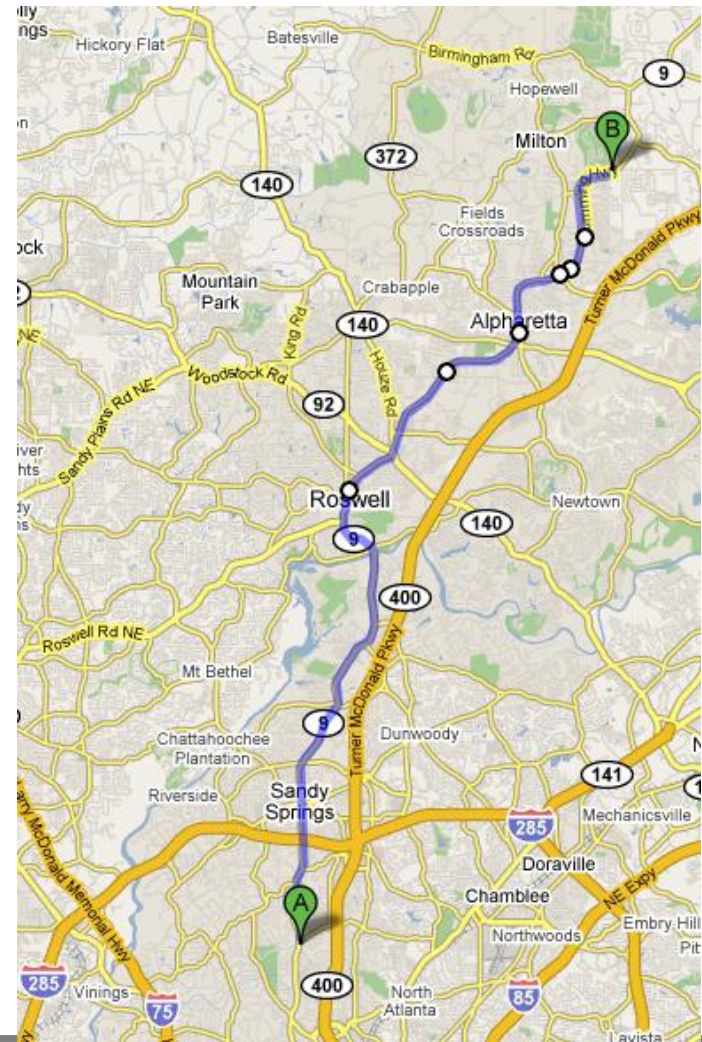


# Sandy Springs TMC: Reduced Travel Time and Fuel Consumption After 1 Year

Time Period	Annual Improvement							
	Average Volume	Travel Time			Fuel Consumption		Total	
		Vehicle-Hours Saved	Number of Stops Eliminated	Reduced Stop Time (min)	Dollars	Gallons Saved	Dollars	Dollars
<b>Northbound</b>								
<b>AM Peak</b>	4,000	43,833	2,350,000	43,667	\$631,200	26,300	\$59,175	\$690,375
<b>PM Peak</b>	7,200	66,600	1,350,000	14,700	\$959,040	39,960	\$89,910	\$1,048,950
<b>Southbound</b>								
<b>AM Peak</b>	6,000	21,000	3,195,000	1,500	\$302,400	12,600	\$28,350	\$330,750
<b>PM Peak</b>	5,500	-42625	-5,156,250	-53,854	\$(613,800)	-25,575	\$(57,544)	\$(671,344)
							<b>Total</b>	<b>\$1,398,731</b>

# Regional Advanced Traffic Management System (ATMS) Project

- First project across city limits: Sandy Springs, Roswell, Alpharetta, and Milton
- 22 miles on State Route 9 from Sandy Springs city limits to Forsyth County Line
- GDOT and local funding
- Project goals:
  - Coordinated signal timing
  - Road closure and emergency information



# Electronic Plans Review Savings

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Annual savings in a single jurisdiction (12 permits per day)

- 19,200 staff hours (\$840,000)
- 270,000 driving miles
- 18,000 gallons of gasoline
- 10,800 drive-time hours
- 18,000 car trips eliminated
- 216 tons of paper
- 537 trees saved



# Electronic Plan Review Benefits

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- Increases efficiency
- Extends business hours for submittals
- Reduces cost, saves time
- Improves cross- department/jurisdictional collaboration
- Reduces archive space and cost
- Plans available to police and fire in emergencies



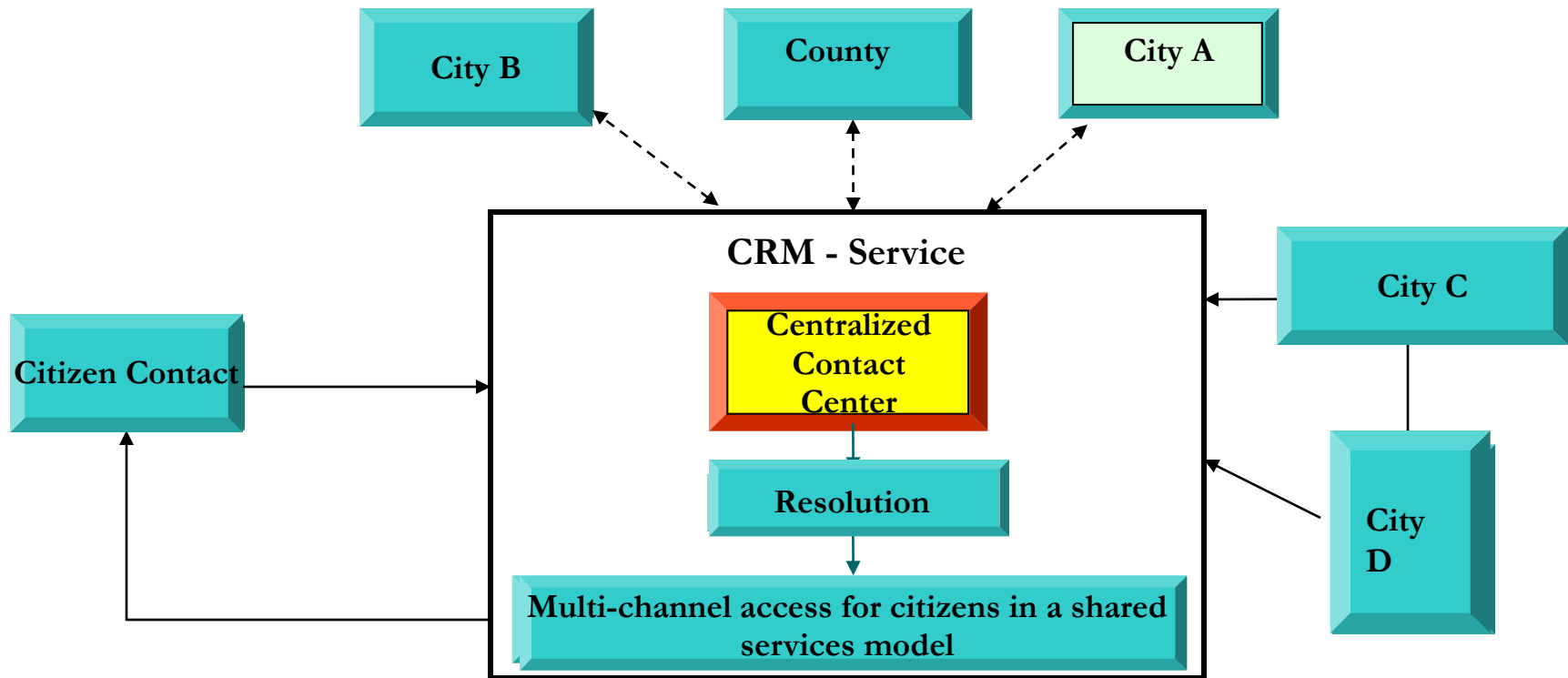
# Centralized Call Center Services Using 10-digit or 311 Dialing Capabilities

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## *Model Hosts Multiple Jurisdictions Within Single Center and Offers:*

- Unique phone number for each jurisdiction (if using 10-digit dialing)
- Unique city greeting for your city (Thank you for calling the City of Sandy Springs...)
- City centric KnowledgeBase with your city information
- Menu of service offerings available (i.e. Receptionist, informational calls, service request capability, non-emergency police calls for reports, etc..)
- Each jurisdiction has separate account with individual management reporting customized to need
- Seamless to customer

# Regional Call Center Application for Connecting Citizens to Answers



*Improving citizen services and cutting costs — while reducing unnecessary 9-1-1 calls*

# Advantages of Shared Call Center Model

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- Operational costs only vs. Infrastructure, development, implementation, staffing & operational costs
- No cost for Information Technology upgrades (included in contract)
- Call center staff is cross-trained, access to all staff vs. an assigned number of staff
- 24/7 service capability, including Public Works and water emergencies
- Consolidates redundant processes across cities that reduce operational costs
- Services are scalable

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## General Fund Relief

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# REVENUE ENHANCEMENT OPPORTUNITIES SEPTEMBER 27, 2010



# **What Is Revenue Enhancement?**

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**Revenue enhancement describes the identification and collection of unpaid revenues due to a city or county from businesses and professionals operating in the local government's jurisdiction**

# Agenda

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- How tough is it out there?
- Is there any General Fund relief?
- Can a revenue enhancement partnership produce additional financial resources for my community?
- Questions?

# How Tough Is It Out There?

# Identifying The Need

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- Local governments are faced with shrinking opportunities to add new, recurring revenue streams
- Citizens are unwilling to accept increases in property tax rates and are weary of continually rising assessments
- State governments restrict local government from adding new taxes, threaten the property tax base
- Infrastructure needs and rising operational costs create difficult choices for local governments
- Databases quickly become outdated and local government can be understaffed and overworked

# NLC Survey Finds Cities' Financial Conditions Worsening

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- Facing declining revenue and increasing expenses, city finance officers are pessimistic about cities' abilities to meet financial needs
- 88% say this year will be difficult in meeting fiscal needs
- 89% expect the same in 2010 – **worst outlook in 24 years**
- To meet projected budget shortfalls, cities are taking a number of steps to cut back expenses or raise revenue
  - **Hiring freezes or layoffs (67%)**
  - **Canceling capital infrastructure projects (62%)**
  - **Cutting services other than public safety (32%)**
  - **Cutting public safety budgets (22%)**

Source: National League of Cities, 2009 Survey of Finance Professionals

# City Budget Shortfalls – Projections For 2010-12

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- The municipal sector will face a **2010-12 fiscal shortfall of \$56-83 billion**, driven by declining tax revenues, ongoing service demands, and cuts in state revenues
- The low point for city fiscal conditions typically, **follows the low point of an economic downturn by at least 2 years** indicating the low point for cities will come sometime in **2011**

Source: Research Brief on America's Cities, Christopher W. Hoene

# Projected Cuts In State Transfers To Cities, 2010-2012

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**Total State Transfer to Cities in 2009: \$78,107,822,000**

<b>Fiscal year</b>	<b>10% Scenario</b>	<b>15% Scenario</b>
2010	\$7,810,782,000	\$11,716,173,000
2011	\$7,029,704,000	\$9,958,747,000
2012	\$6,326,734,000	\$8,464,935,000

**Total \$21,167,220,000 – 10% Scenario**

Source:

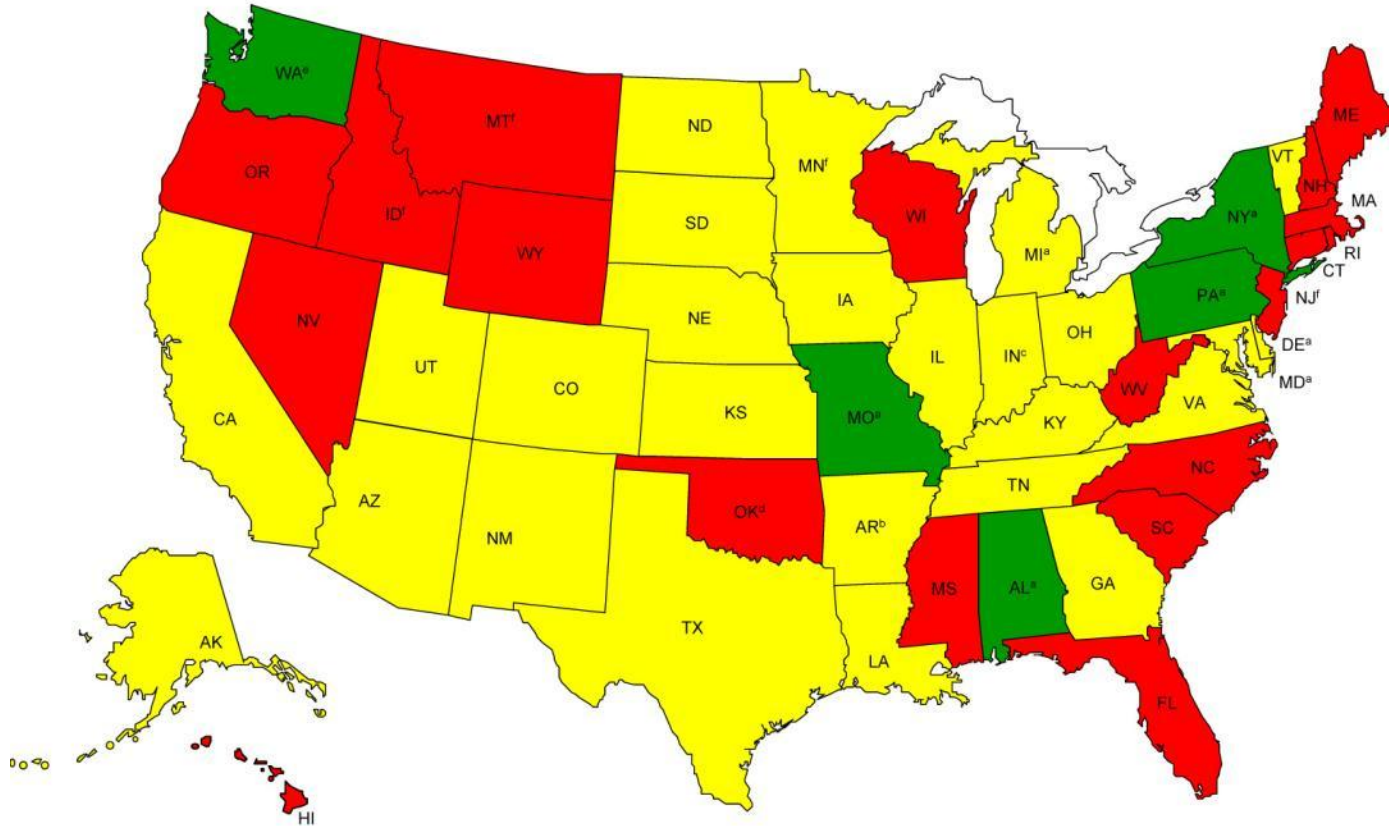
# Local Government Fiscal Authority And Constraints

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- Governments in **33 states** operate under some form of tax and expenditure limitations **TEs**
- About 50% are constitutionally imposed and 50% are legislative
- 15 states require a “supermajority” of the legislature to raise taxes (2/3 to 3/4 vote)
- Local government debt continues to rise – 39% general obligation and 61% revenue debt issues



# Municipal Tax Authority By State



**a** Income or sales tax for selected cities. **b** Cities can levy a local income tax, but no locality currently does so. **c** A local income tax under certain circumstances. **d** Sales tax only; cities can levy a property tax for debt-retirement purposes only. **e** Cities can impose the equivalent of a business income tax. **f** Sales taxes for selected cities and/or restricted use only.

Property + sales + income

Property + sales OR Income

Property or sales only

Source: Michael A. Pagano and Christopher Hoene, "States and the Fiscal Policy Space of Cities" in Michael Bell, David Brunori, and Joan Youngman, eds. *The Property Tax and Local Autonomy* (Cambridge, MA: Lincoln Institute of Land Policy, forthcoming [2010]), pp. 243-284

# County Economic Status

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- County economies are not improving – 56% of counties report starting their fiscal years with up to \$10 million projected shortfall
- 47% of counties say that the shortfall increased after the start of their fiscal year
- Revenues creating shortfalls include:
  - Property taxes – 52%
  - Reductions in state or federal funding – 50%
  - Sales taxes – 46%

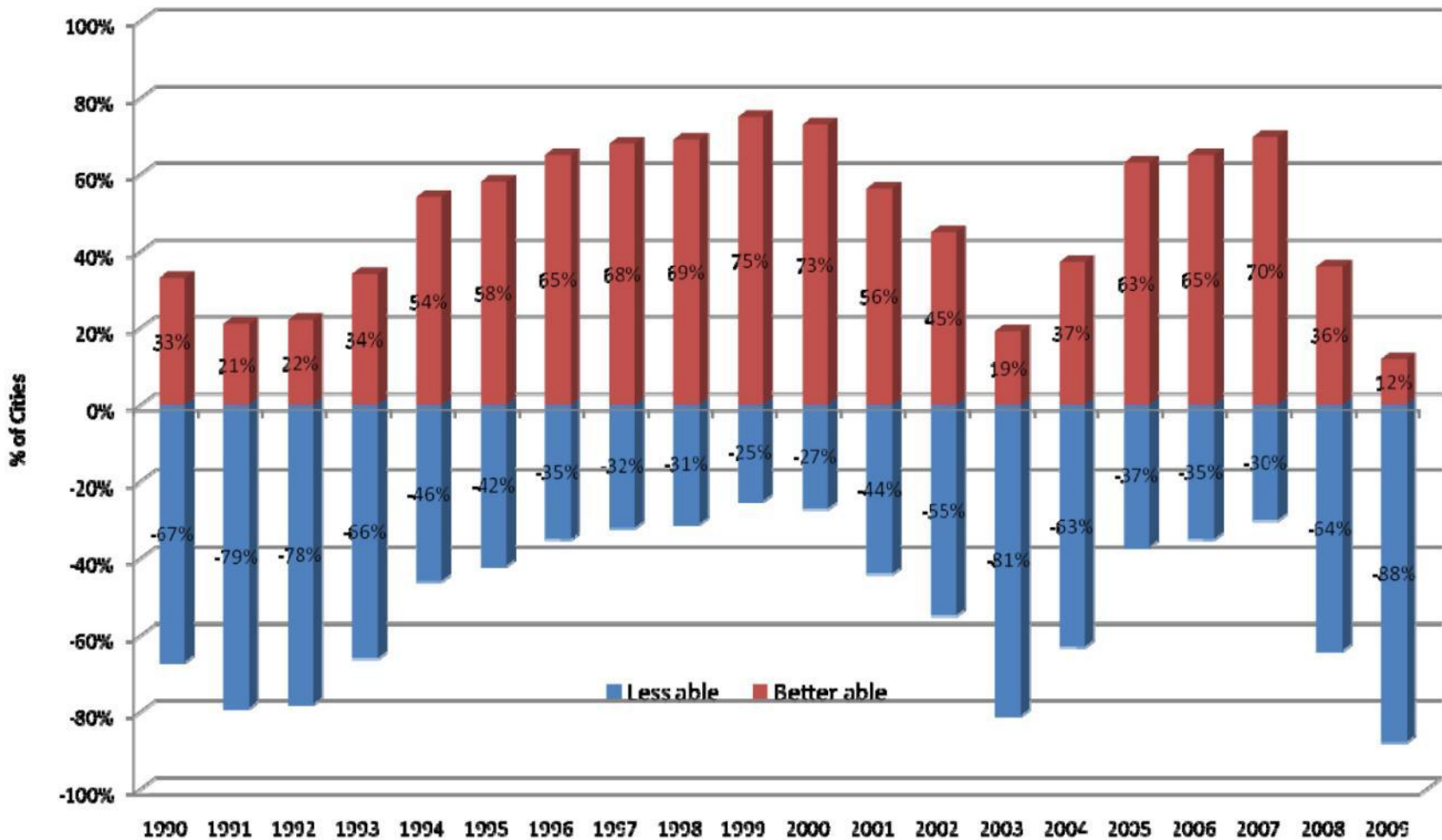
Source: NACO, National Association of Counties

# **Counties Are Responding To The Shortfalls By:**

- Delaying purchases and repairs – 60%
- Salary/pay freeze for employees – 59%
- Delaying capital investments – 54%
- Hiring freeze – 49%
- Using rainy day/reserve funds – 44%

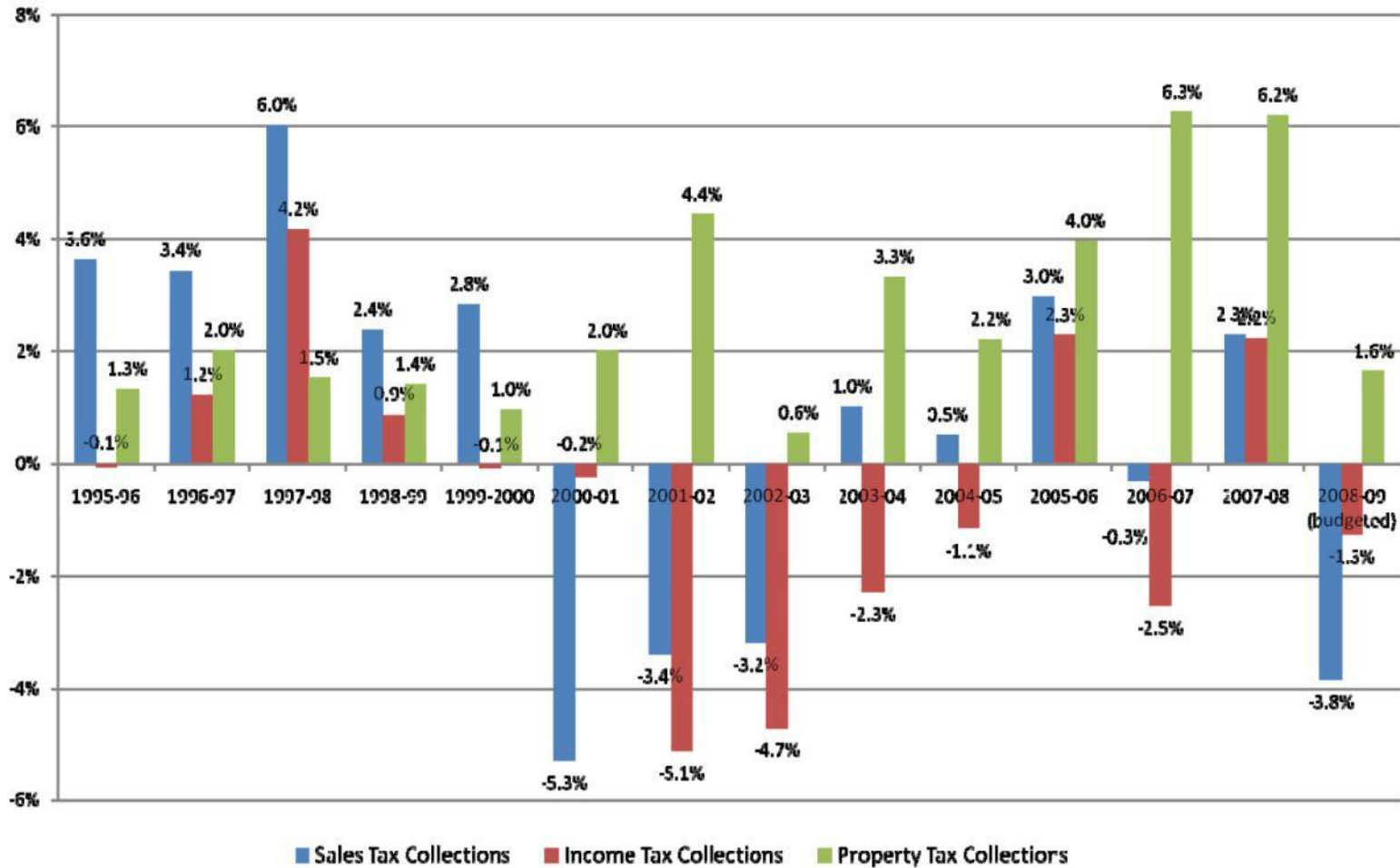
Source: NACO, National Association of Counties

# Percentage Of Cities “Better Able/Less Able To Meet Financial Needs In Current Fiscal Year”



Source: Michael Pagano and Christopher Hoene, *City Fiscal Conditions in 2009* (Washington, DC: National League of Cities, 2009)

# Year-to-year Change In General Fund Tax Receipts (Constant Dollars)



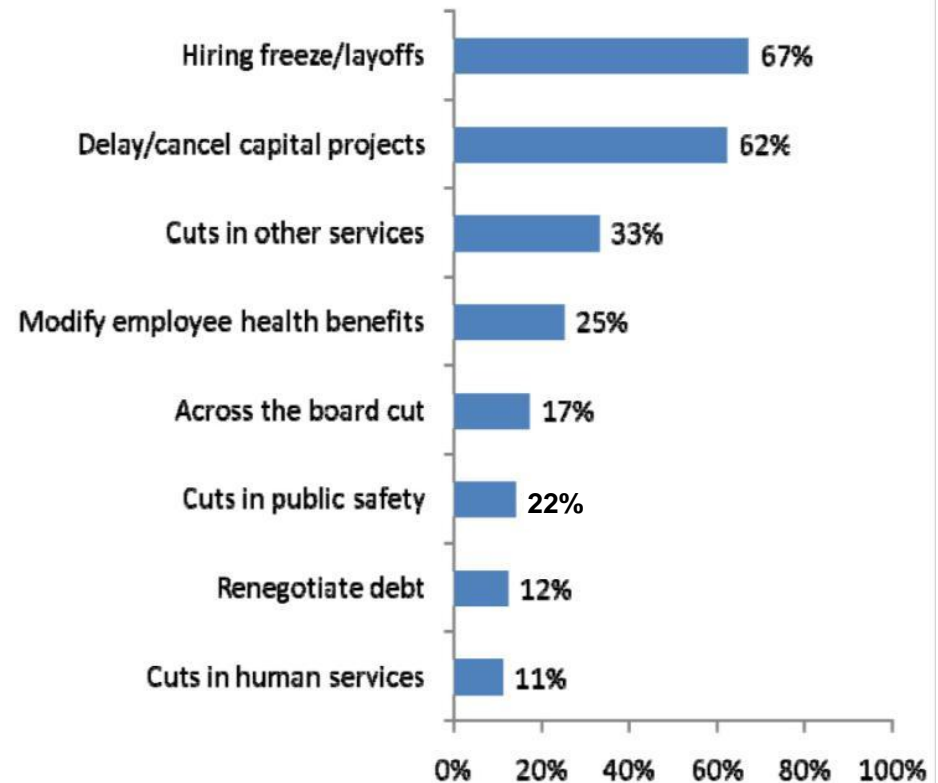
Source: Michael Pagano and Christopher Hoene, *City Fiscal Conditions in 2009* (Washington, DC: National League of Cities, 2009)

# Revenue And Expenditure Actions FY09

## Revenue Actions

- Increase fees – 45%
- Increase # of fees – 27%
- Increase property tax rate – 25%
- Increase level of impact fees – 19%
- Decrease property tax rate – 11%

City Spending Cuts in 2009



Source: Michael Pagano and Christopher Hoene, *City Fiscal Conditions in 2009* (Washington, DC: National League of Cities, 2009)

**Is there any General  
Fund relief?**

## NLC President Kathleen Novak, 2009

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“Although we are beginning to see signs of a possible recovery in the national economy, city officials will need to be more proactive than ever in terms of monitoring their budgets, reevaluating budget priorities, and identifying new revenue and savings opportunities...The current economic situation is wreaking havoc on city budgets.”

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# REVENUE ENHANCEMENT OPPORTUNITIES SEPTEMBER 27, 2010



# Revenue Enhancement Concept

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- Verifies outstanding sources of uncaptured revenue
- Monitors and evaluates accuracy of tax and fee payments
- Assists in collection of non-payment or under-payment
- Provides a process to compare baseline listing of current revenue sources
- Provides various audit services of revenue sources



***Establishes a revenue stream that will continue, year-after-year, at no direct cost to the public agency***

# License taxes

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- **License taxes totaled \$49.7 billion**, an increase of 0.2 percent from 2008, with revenue from **motor vehicle license taxes comprising the largest share of total license taxes, at \$19.9 billion in 2009**
- Corporation licenses accounted for roughly 1/5 of total license taxes at \$10 billion in FY-09, **reflecting a 2.5% decrease from 2008, the first decrease in corporate license taxes in over 16 years**
- The South reported \$7.1 billion in corporate license taxes in fiscal year 2009, by far the leading region for corporation license revenue
- followed by the Midwest region at \$1.7 billion in corporation license revenue

# CH2M HILL's Revenue Enhancement Program

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- Utilizing cutting edge technology, the program offers local governments a comprehensive inventory of businesses
- The inventory databases give program staff the ability to tap into unharnessed and annually recurring revenue potential
- Inventory data is also utilized to maintain up-to-date E-911 information for enhanced emergency response
- The program places all businesses on an even playing field, and provides for additional **recurring** revenues to the locality **without raising taxes**

# Program Approach

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- Staff are deployed with GPS and PDA equipment
  - All commercial properties are catalogued
  - Businesses are tagged with GPS information and photographs to assist with compliance
- Data mining and field examination is matched against existing business license or tax database
- Unlicensed businesses are notified and taxes due are invoiced, collected and reported
- Follow-up audits are conducted

## More Dollars And Sense

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Over a 6-year period, our revenue  
enhancement  
teams have identified and collected over  
***\$27 million in additional revenues***  
for local government clients

# Partnership Produce Additional Financial Resources For My Community?

# Property, Sales, And Income – What Else Is There?

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- Business/Occupational Tax
- Financial Institution Tax
- Cable Franchise Fees
- Utility and Telecommunication Franchise Fees
- Wholesale Alcohol Beverage License
- Alcohol Beverage Excise Tax
- E-911 Fees
- Billboard Advertising Fees
- Hotel/Motel Tax
- Auto Rental Tax
- Motor Vehicle Tax
- Insurance Premium Tax
- Cell Tower Rental Income
- Personal Property Tax (Business and Individual)
- LOST (Local Option Sales Tax)

# City of Sandy Springs, Georgia

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- 3,152 unlicensed businesses identified and processed for business licenses
- More than \$3.5 million in untapped recurring revenue identified; \$3 million collected
- Follow-up audits have yielded an additional \$3 million
- Potentially millions of additional audit revenue to be collected
- No up-front cost to the city; fees based on percentage of collected revenues
- No increase in taxes or assessed values



# City of Johns Creek, Georgia

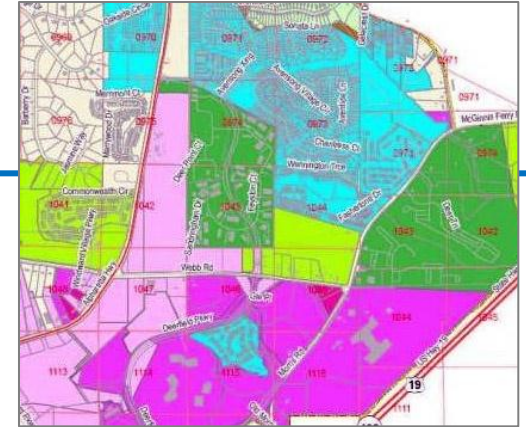
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- More than 1,000 new businesses identified and licensed
- More than \$1 million in new and recurring revenue identified; \$780,000 collected
- Follow-up audits will begin this summer to increase revenue collections and complete process
  - Alcoholic Beverage Excise Taxes
  - Utility Franchise Fees
  - E-911 Fees, Cell Towers



# The Process Easily Links With IT/GIS Systems

- Accurate inventory of businesses in all commercial zones
- Equity established among municipal businesses
- **E-911 data for fire and police-stationing/crime prevention**
- **Geo-coding of businesses, parcel numbers, street addresses**
- Data mining for discovery of “home-based” businesses can produce significant revenue



# Recent Revenue Projects

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## ■ City of Atlanta

- **Field Inventory discovered 2,035 non-licensed businesses to date**
- **845 Business Tax applications submitted representing \$4,500,000 dollars**
- Business license and Franchise Tax audits now underway
- Hotel-Motel Tax and ABL Excise Tax audits commencing

## ■ Gwinnett County

- **Field Inventory discovered 1,324 non-licensed businesses to date – 80%**
- Business Tax applications in process and **\$1.1M** invoiced for **350** businesses
- Business Tax and Franchise Tax audits being initiated

## ■ City of Centennial

- **Field Inventory discovered 1,800 non-licensed business to date – Retail, etc.**

# Features Of Our Approach

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- No local staff are displaced
- Field staff are courteous, considerate, unobtrusive
- Physical inventory conducted and recorded on PDAs
- Database analyzed to identify unlicensed businesses
- Assist with classification, assessment, notification, and collection of delinquent business occupational tax
- Relevant historical tax data analyzed to determine candidates for audit

# Focus On: Business Occupation Licenses/Taxes

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<b>Database/Field Inspection</b>	<b>Audit of Compliance</b>
<p>Inventory businesses subject to local ordinances</p> <p>Identify outstanding business occupation taxes</p> <p>Invoice and collect revenues due</p>	<p>Perform audits (where necessary) to determine outstanding tax liabilities</p> <p>Calculate assessments for collection activities.</p>

# Billboards/Cell Towers – Regulatory Permit Program

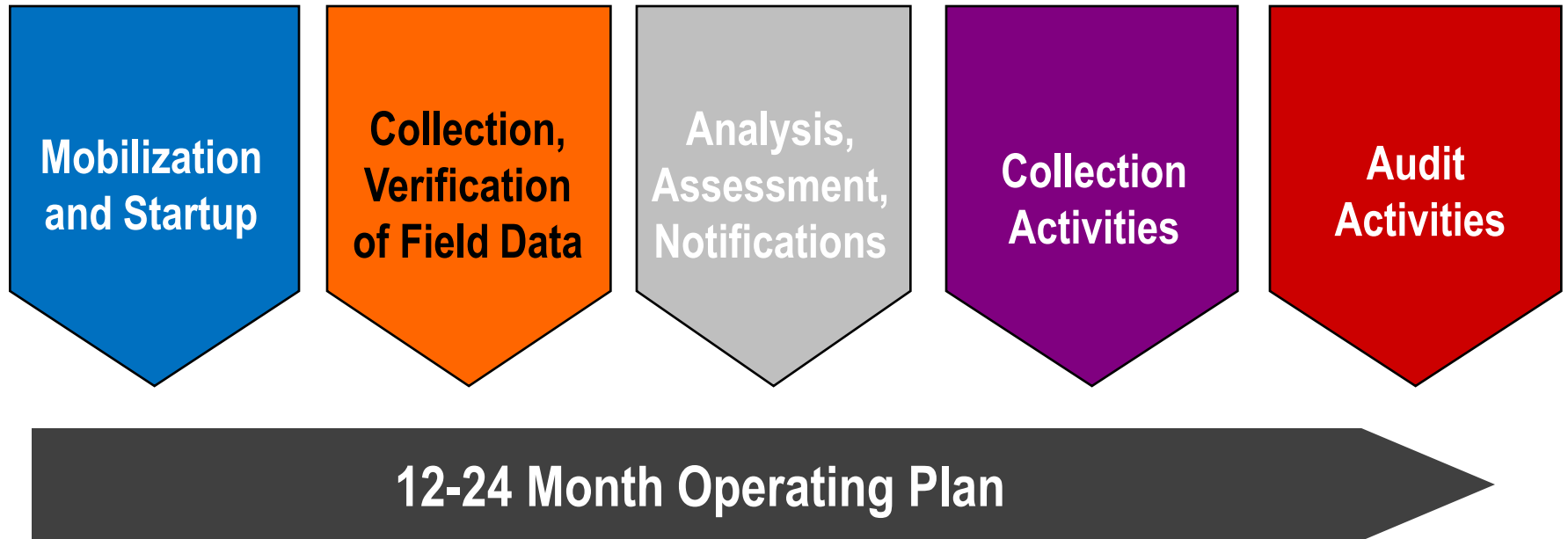
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- Government agency pays a performance fee for related permits and technical support
- Cost of the performance fee is embedded in the permit fee paid by the private company
- Estimated new permit fees: 50%-100% increase over current revenues in same categories
- New tax assessment benchmarks set for a perpetual basis (with property taxing agency)



# Strategic Process And Typical Timeline

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# Service Costs And Estimated Revenue



- No direct cost for services
  - Performance-based contract –compensation is based on % share of actual “new” revenues collected
  - Company is paid a portion of the revenues that are recovered for the current fiscal year plus any taxes/fees that are owed in arrears and can be legally collected by the city or county
- Estimated new revenues–10%-25% increase over current revenues in same categories, depending on tax structure
- New benchmarks set for recurring revenue
- Databases are cleaned and updated
- All revenues paid to lockbox = transparency

# Can revenue enhancement services help My City or County?

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- Each state government provides cities and counties with varying degrees of authority to impose and collect their own local taxes and fees
- If a city or county is largely dependent upon the state government to collect and remit a significant portion of its revenues, then it's not likely you would benefit from revenue enhancement services
- Existing businesses that are in compliance and paying their fair share applaud and appreciate the fact that the city/county is dealing equitably with everyone

**Questions?**

**For more information:**  
**omiinfo@ch2m.com**  
**800.831.3243**

# Sources

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- National League of Cities
- The Economic Policy Institute
- National Association of State Legislatures
- CATO Institute
- U.S. Census Bureau
- The Tax Foundation
- National Association of Counties
- The Brookings Institution