

**Minutes of the Meeting of the Utah Privatization Policy Board**  
**Wednesday April 28, 2010 10:00 a.m.**  
**State Capitol, Room 450**  
**Salt Lake City, Utah**

**Attendees**

Randy Simmons, Curtis McCarthy, James Kesler, Senator Goodfellow, David Osborn, Senator Stephenson, Robin Riggs, Steve White, Steve Densley, Ted Boyer, Representative Hunsaker, Alan Bachman, Kerry Casaday, Chris Bruhn

**Excused**

Kim Jones, Kent Beers, Nancy Orton Steve Dickson

**Visitors**

Neil Abercrombie, Jon Butler, Jacob Smith, Royce Van Tassell, Leonard Gilroy

**Welcome and Introductions**

Randy Simmons, Chair conducted the meeting.

**Approval of Minutes:**

Jim Kesler made a motion that we approve the March 24, 2010 minutes. Curtis McCarthy seconded his motion and the minutes were unanimously approved.

**Leonard Gilroy from the Reason Foundation**

Leonard Gilroy passed out a slide presentation entitled "Streamlining Government through Privatization and Public-Private Partnerships and gave us a detailed presentation. (Attached to the Minutes)

**Questions and Answers:**

**Curtis McCarthy:** I am sure you know Utah, since you're in every state and you have been around the nation now. What would you say would be a good one to look at in privatizing Utah?

**Leonard Gilroy:** I don't know where I would start there. Liquor Stores is one. I mean I am going by what has happened out there because it is hard to partake something brand new that no one has done before. Liquor stores are an opportunity, infrastructure across the board, roads, bridges, prisons, schools, K-12 facilities, higher education, water, waste water at the local level. Maybe there is some regional type of state stuff in water that might be appropriate. Back end support functions anything like payroll, accounting, HR, IT, all of those types of administrative support functions.

**Randy Simmons:** Did you mention some states were looking at parks?

**Leonard Gilroy:** State Parks is one where now few states have done it yet. US Forrest Service has been the pioneer on this, but doing whole park concessions. We have a concessionaire in Arizona who, we were shutting down state parks and he offered to keep them open and operate them at the same rate that the state is using today. That is one that I think is very potent. Lot's of state's having heard about that are now dragging those concessionaire's around asking them

hey what can you do for us? Many states are in the situation where you're shutting state parks. At that point the question becomes you could leave the park closed, you could raise taxes which is a terrible idea to try to keep them open or you have a private guy sitting here wanting to pay you for the opportunity to run your park. He is willing to turn something that is a revenue loser for the state and turn it into a revenue generating asset, with any controls that you want. You put everything you want into that contract and they will live up to the letter of that contract. One of the concessionaires, I was talking to a guy in Arizona and asked him what his response was on this loss of control. He gave me a great example which there is some swamp park land in Florida that they run. It is a wilderness area and so the concessionaire has to boat in by canoe because they cannot drive anything in there. All the controls you want put it in the contract. Parks is another great example of that kind of approach. It is one where the Fed's are the innovators.

**Steve White:** Higher Ed buildings, we had a circumstance here we need so much infrastructure for roads but instead of giving money to roads this year they said we are going to build these three higher education buildings. The question is do we have any examples, I know you talked about Great Brittan with Middle Schools and High Schools and you talked about Canada. Has anyone stepped forward on Higher Education building yet?

**Leonard Gilroy:** Absolutely, for instance we have a whole study on part of this. University of Maryland and a bunch of other ones have done privately financed dormitories. They figured out the same thing the US Military figured out which is we are not landlords. The biggest privatization going on in the US right now is the privatization of military housing and it has been gong on for years. But essentially the branches of the military are getting out of the housing business because have wisely realized our job is to protect this country not to be a bunch of landlords for our personnel. To right size that ship they have contracted out privately financing building and operating new homes on bases across the country. We are talking hundreds and thousands of units. Universities have taken that model and have done the same thing to privately finance dormitories and other buildings. ASU and Arizona State is actually in the middle of, it is hard to describe it. There are multiple buildings on the central campus, they are trying to create a new administrative building and reorganize and reallocate some of the campus stuff all privately financed and they have been doing that sort of thing for years. There are a number of other ones out there, but yes this is something that is happening out there it's just that I don't think policy makers are tuned into it yet. Even university administrators are doing this stuff and it is not filtering up to them.

**Steve White:** The problem was, and I know the university in my county, Utah Valley University said we will have the student fees and revenues to pay for it if it is built, but then the state goes out and bonds to it's buying capacity to provide all the bonding that was necessary this year and that wasn't even necessary. Because you are saying that there are private companies that would build the buildings.

**Leonard Gilroy:** There are but I don't want to say you can do everything. I mean not every building, not every road, not every prison, not every school is going to be a candidate. But what I would say is it should be definitely on your option list of blank piece of paper, options, bonds, private finance should be like on that list. It should not be an afterthought or some special quirky nitch thing that is unique. It should be the default thing that you are looking at for any new capital project. Is there an opportunity to do this or it may be like it is one building, one facility it might not pencil out but there could be ways to bundle things into it you know like I mentioned with the park's, take a bunch of the revenue losers and take the ones that kind of break even and bundle those together and private guys can take it. I don't want to say every single facility,

every single asset is going to be a candidate, it is going to depend on the revenue stream if there is one. It is going to depend on budget appropriation, lots of different things. It is definitely something that should be considered because right now it's not. How does a typical K-12 school build a school? The same way everyone else does it which is go out and do the bonds and do the public sector procurement, the same thing everyone always does because no one is thinking of a different model.

**Steve Densley:** This has been very helpful and there has been a lot of good input I am interested in knowing, you understand that we are involved in doing inventory, finding out commercial and government activities and have a big list. My guess is there are going to be a lot of things on that list that they have already privatized or are in the process of doing that. It would be helpful for us to know what's going on elsewhere so I am wondering what the Reason Foundation could do to help us to pull together all of the information that is already out there so that when we go ahead and make the proposals we will have that background. The second question I have for you is what other organizations could we get involved in this? The statute is for us to publish our findings from the internet. I think it would be great to get organizations like the Reason Foundation and others involved in helping analyze the results and helping to make proposals and drawing on the experience of other states. What suggestions do you have for us in that regard?

**Leonard Gilroy:** Well thank you those are good questions. First of all we are a think tank but I consider us more of an action tank. We do the research in the traditional think tank kind of stuff but the real thing where we try to add value is rolling up our sleeves and working with groups like yours. We are effectively unpaid consultants, we don't take government money but we help to answer those sorts of questions. Now I mean we have decades of research that have lots of case studies in different areas so it depends on what the area is if you come and say it's vehicle fleet, well I just wrote a study on that I have the case studies to give you. If it is something else we have not done research on we can go find it and see what is out there. I am not going to say you are going to find every piece of information you are looking for on every initiative. This stuff is notoriously tricky to keep track of and often times governments that privatize something often fail to go back and figure out well how much did we actually save?

**Steve Densley:** Is the Reason Foundation able to make suggestions to us based on our inventories?

**Leonard Gilroy:** Absolutely

**Steve Densley:** Say these things could be privatized and here are the states that have done it and here is their business case pertaining to that issue.

**Leonard Gilroy:** Well if there is only one state that does business cases right now. Yes, absolutely I will give you brutal feedback on that commercial activities inventory believe me.

**Steve Densley:** Are there other organizations that could help give us some input that are doing similar things?

**Leonard Gilroy:** We are the biggest think tank that deals with this stuff on a state and local level. Heritage Foundation do little bits of privatization but it is mostly on something like social security or some federal stuff. We have complimentary skill sets out there in privatization so there is not like another Reason out there that does the same thing. What I have found though is helpful across the states are chambers because chambers get the idea of they know

business. They know the value of competition. I don't know about your chamber I am not sure. Chambers, business associations are very interested in this. In fact the model bill that I wrote that has this privatization center of excellence thing I mentioned. The Arizona Chamber of Commerce is the biggest supporter and they made it one of their five priority bills last year. Chamber types tend to get this stuff they get government competition with business that's helpful.

**Randy Simmons:** The property and environment research center in Bozeman will be useful if we are looking at state parks. They have done a lot of work on state park issues and environment stuff they are a good resource. Then there is the state policy network. We could put a request into the network and see what has been done.

**Leonard Gilroy:** Typically they come back to us on privatization. But actually you do find that it depends on the initiatives because each one is going to be its own thing if there is subject matter. Some may be very easy, some we need to dig into but that is what we do. The private sector can't talk about themselves. Our role is trying to frame what the private sector can really do and how to realistically think about it. What that means is we are the guys who the Governor's Office calls and says "hey, who has done privatization of x, y, or z" and then we dig it up. We are doing it in multiple states now. Even that stuff is going to be very informative because you have the New Jersey Privatization Task Force right now. You have one gearing up in Arizona. These are time limited things, not like the Privatization Policy Board which is a permanent board. Louisiana just had a streamlining commission that came out with a bunch of privatization proposals. There is lots of brain power going into initiatives right now and some of it will be very useful to your board. We are glad to help out in any capacity.

**Kerry Casaday:** When you mentioned there is only one state doing a business case you were referring to Florida of course but surely the other states have the same thing but a different name for it or they are not putting together a team to do it.

**Leonard Gilroy:** Well you may have the wise governor who walks in to it and says, "I am going to do this while I know how to do this", and sets up a team. Governor Gendall is one that is very much like that. I am working with his division administration internally to do business cases because they wanted to look at every one of their sub silos in the division administration. I told him they were going to have to do some due diligence and do some business cases so let's find the opportunities in each one of those silos and do business cases. So I am really walking him through that as an exercise in getting him used to it and up to speed on it. There is no statutory obligation to do that or nothing in law that says they have to do that. It is the fact that they came to me and asked me how to do this and I said well, do business cases. Because you have an executive that has the will and empowers his people to be managers and to manage well they embraced it. I should correct this by saying the only state doing this by statute is Florida.

**David Osborne:** Leonard I am completely unfamiliar with the Reason Foundation. How are you funded?

**Leonard Gilroy:** Reason Foundation is a 501C3 non profit, non partisan think tank. We are based in Los Angeles we have an office in DC. Most of us telecommute and I am in Arizona. We are a free market libertarian think tank. We are funded largely by private individuals. We have three business units. We have Reason Foundation which is my unit it is a think tank shop. We have Reason Magazine which you can buy at Borders, Barnes & Noble, and then we have reason.tv which is a video enterprise which we started with Drew Carey. He is on our board now, the comedian, price is right host who wanted to basically see Reason create a video shop

that took the policy ideas and turned them into video. I am not our development person so I don't know all the specific breakdown but generally it is about 65 percent of our revenue comes from just private individuals. We don't take government money. Corporate sector I think is ten to fifteen percent. There are not as many corporate supporters that there should be. Some interest in come off investments and gifts, you know endowments that people have given and then magazine revenue which is a very tiny piece of our budget. That is basically what we are. We are a non profit think tank and work with anybody who wants to work with us and learn policy ideas. We try to act like consultants but we are not consultants. We don't take government money; we are sort of impartial in that regard. We have been advisors for multiple presidents. I could go through a laundry list of all the various governors and city council etc. We hit our 40<sup>th</sup> anniversary last year. The magazine started first and then the think tank came about so the think tank has been around about 30 years.

The founder of Reason Foundation Bob Pool wrote the first book. If you have followed transportation surface or aviation you have seen Bob Pool's name out there. If you had to pick five national gurus out there with those issues he is one or two. Bob wrote the first book, he was inspired by the private fire companies actually and was inspired while he was working at Rand or something. He is an engineer by training. He was inspired by seeing private companies offering fire service and decided to write a book and what could we outsource in city hall? He wrote a book called Cutting Back City Hall which basically wrote a vision for an outsourced city. Now it has come to question, I mentioned the Georgia cities, it is actually happening. Back then no one ever heard of it, no one ever thought of it. We were the first to coin the term privatization as it relates to government services. That book made it's way to some of Margaret Thatcher's advisors early in her administration. She was inspired by it and you saw public housing, British ship making, steel, all kinds of stuff privatized. The influence is there, we are the gurus in privatization, and it is a nitch subject that not many other think tanks really touch because there are so many other areas like tax policy, education policy and all those so it's a nitch we have kind of created and have filled since then.

**Howard Stephenson:** Thank you just three quick things. Coincidentally in today's mailbox in the senate there is an ALEC Report on tax payer funded pre-trial release, a failed system. It describes how there is twice the number of people who don't show up for trial on a taxpayer funded pre-trial release as there is on a private funded bail bond kind of concept. I guess that is a local court issue, not a state issue but it might be something we want to look at in a later time. I wanted to also mention that there is a possibility that Governor Jeff Busch may be in Utah to speak to the Governor's Commission on Excellence and Education to discuss the school grading system. They actually rate schools so that the public can know how well their neighborhood school is doing. I was thinking if that happens while he is in town I wonder if we would want to schedule an afternoon meeting and see if we could get Jeff Busch to address this commission and further this discussion on his experience of getting those things to actually happen in a political sense in Florida. We don't know when it is scheduled yet. I mention it because I wanted to know if the committee would be interested in that.

**Randy Simmons:** Len if you will send me those materials I will make sure they get circulated to all of the policy board and if people have questions we can also make sure we get those questions to Len. He responds very quickly. Thank you very much Len you may want to stick around because we are going to have an update on the survey specifically talking about Alcohol and Beverage Control Commission. We now have a report from the Attorney Generals Office on our authority to review local governments.

**Alan Bachman:** I am Alan Bachman Asst. Attorney General and I was just assigned to this board at the last meeting. When I was in attendance at the last meeting I was asked a question and I didn't want to answer it without careful review of your statutes. The question was in regard to the board's authority to review privatization of services regarding local entities not state entities. After reviewing the statutes I now have a clearer answer. This is one of those fortunate times when the statutes were clear. I will go through these numbers briefly because you have heard a lot of information this morning. 63(I) Chapter 4 is your Privatization Policy Board Act which I reviewed and I reviewed it with Kent Beers the Chief Procurement Officer at 102 (2)(a) it defines an agency, it clearly defines those agencies as state agencies and then lists a number of exceptions such as the legislature, Attorney General's Office and so fourth. But it doesn't identify any local entities in that definition of agency. Then it has a separate definition for a local entity which is primarily your cities, counties, special districts, school districts etc. And then when it talks about the definition of privatized it says activity engagement by an agency. So once again we get into that definition of agency. So you are looking at privatization of an agency which would mean an agency of the state and that has not been exempted out.

But then there is a more specific statute and that is 631-4-202 sub 5 which says that the board may review upon request of a local entity. So we have another exception here this 202 sub 5 which says upon request of a local entity you can review privatization issues. So lets talk about this as a practical matter. What I think what happened is and unfortunately it could not be part of your inventory but it is not your jurisdiction in the statutes today but lets say you were involved with think tanks or the Chamber of Commerce or other entities submitted proposals to you and that involved cities and counties or school districts or what not. I don't see any reason why you cant contact that entity and say we have received information about privatization of a service that your local entity has. Are you willing to request our review of that? And lets say that entity says no we don't want you to look at that. Well that would be a red flag right there if that entity were to say that because this is a board that has a number of legislators and concerned citizens on it and you are always free to speak to the legislature just like anyone else is about recommendations and ideas of privatization. I would have to think in a practical world even though the law says you can only review a local entity upon request by that local entity, hopefully in most instances local entities would have every incentive to cooperate and if you ask them to review it I would hope in most instances they would say go ahead we would be glad to meet in front of you.

Because of who you are and who you know I think that would likely happen. Now if you want to change that statute so it is mandatory then that would require a change in the statute. That could be presented to the legislature where if someone did have a proposal that affected a local entity, you could change the statute to say that this board would have the authority to review it even against their will. But that would be part of the statute change. As I said I would hope in most instances until that happened as a practical matter that would be a non issue. I don't know if there had been any requests that concerned local entities where local entities have said to this board at this point in time, sorry we won't participate. That is something you know and I do not know at this point. But that is basically my report. I want to make sure you all end up with copies of the statute with which we will get to you. You could read through it. With that are there any questions about what I said so far?

**Brent Goodfellow:** Alan in your report did you review the last legislation, the last bill because in that bill we talked about we are going to take inventory of the various agencies within state government this year. Next year we are going to do the counties and cities in the future. Was that part of your report?

**Alan Bachman:** That is something that I am going to have to discuss with Kent Beers, the Chief Procurement Officer is how we reconcile that inventory. With this particular statute it appears to present some sort of conflict. How do you do that inventory with entities that can say well we are not going to cooperate with you in terms of privatization because of this other statute? I am not totally prepared to answer that one today. It wasn't asked of me at the last meeting but I would be glad to put something in writing about this and supplement it with an answer to your question. That appears to be a conflict off hand in the statute.

**Royce Van Tassell:** This is as someone who is involved in the drafting of this, Senator Goodfellow I may be able to help you with that question. The way that the statute was drafted it was designed I believe as counties the first, second, and third class. It could be first and second I don't remember were supposed to conduct those inventories and then present those to the Privatization Policy Board. It doesn't specifically outline what the board is supposed to do with those inventories. It does say instead of having the authority at the board level to conduct those inventories. It is done at the county or the city level and that may go at some extent to mitigate the conflict you're describing.

**Alan Bachman:** That is correct but its still, how do I put it. It is still a quirk in the law because why are you getting inventories of something that you don't necessarily have jurisdiction for. I think that needs some clarification and further research.

**Steve Densley:** It does sound like the statute would benefit from maybe an amendment clarifying it, but I guess I wonder if where it says an entity of the state is an agency. Isn't it in some sense a local government an entity of the state?

Alan Bachman: It is except for the fact that there is under sub 6 of the same statute a definition of local entities. It means the political sub-division of the state including the counties, city, town or school district and then you couple that with the statute that says that you can't review a local entity unless they agree to it. But as I just said hopefully before there was any sort of statutory change that because there are legislators on this committee people can obviously talk to the legislature no matter what the statute says because you all have those first amendment rights. And because there is the legislature you would think they would cooperate. So that is why I don't know that if we have run into a local entity yet that has said to this Privatization Policy Board, sorry we are not going to show up or are not going to cooperate with you regarding this privatization issue. It may be in the practical world that this issue doesn't really exist. I don't know. It would only really exist if the local entity actually said no. But certainly with the statutory change it would be absolutely clear that a local entity could not say no.

**Ted Boyer:** Thank you Alan for that overview. That is kind of what I have been saying for the last year. Unless the local entity asks us we don't have jurisdiction on it but specific language in the statute regarding the inventories created by cities and counties says this. "The governing bodies in an applicable city shall create an inventory of activities. They do have to give us a copy of it for whatever reason.

**Randy Simmons:** So they do it and they give us a copy. And what we do with it, it is unclear that we have any ability to do anything with it.

**Alan Bachman:** Yes, and I might add if a private entity sends you a letter that says here is an idea for privatization of a service that is provided by a number of cities and counties in the state, there is nothing in the statute that says your not allowed to read the letter. Then once you read the letter there is nothing in the statute that says as individuals your not allowed to talk to

legislators about it or any legislative committee so I am not so sure why the statute is written the way it is. It seems to me that if someone were to propose to the legislature to change it so you did have the right to review a local entity I am not so sure you would be taking so much away from that local entity because if someone wrote to you now there is a lot you could do with that letter.

**Randy Simmons:** We might get some clarification from that if we were to ask the lobbyists from the League of Cities and Towns to why that happened.

**Ted Boyer:** One last comment. The state constitution has a provision sometimes referred to the zipper clause that basically says the state can't impede upon local governmental authorities. Kind of how we are fighting back against the Federal Government for messing in our mess the local government must feel the same way about the state. So there may be a constitutional issue with that as well.

**Howard Stephenson:** Isn't there a difference though in that these are some entities of state government and the state created the local government or at least established the laws under which they could be created. It seems there is a difference there between the relationship between the Federal Government and the state which created the Federal Government and the local entities and the states. I do remember the comment I wanted to make when Leonard Gilroy was here and it had to do with the almost unbelievable results that can be had in the contracting cities and the privatization of services. But it would just point out that it is sort of counterintuitive the way that capitalism versus socialism is counterintuitive. On paper socialism works a lot better and I am not trying to compare government to socialism but I think it is an apt comparison because when you have a free market system, let's say we have two competing bread manufacturers and one of them is in Chicago and the other is in St. Louis. They bake the bread in each of those cities and then they load it onto trucks. The St. Louis bread company ships their bread to Chicago and other places and the Chicago bread company ships their bread to St. Louis and other places. If we were all to back up and say isn't this a waste of resources? It seems to be intuitively not very efficient. But there is something that happens in a free market that overcomes the inefficiencies of that in fact it ends bread lines and a lot of other things relative to the difference between a socialist economy and a free market economy. And although the corollary isn't exact I think that even though it may not be intuitive why a company that is actually going to make a profit? How can you do it 50% cheaper when you are making a profit also, when having government do it without a profit seems intuitively to be the cheaper method. It really is quite an amazing thing what free markets and competition can do to eliminate waste that we may not even be aware of in the current paradigm. It is hard to measure when you go into a government office what degree of waste or inefficiency there may be and how much entrenched bureaucracy that there may be and not be actually producing and that kind of thing. But when you put it to the marketplace where you sink or swim those kinds of things are eliminated without even knowing you are eliminating them. You don't even have to identify them because you have chosen an option that eliminates them by its nature or at least drastically reduces them.

**Randy Simmons:** And there is no way of identifying the waste of a private firm until they have competition. Thank you Howard. Next on the agenda we have an update on Chris' survey but before we go on is there anyone who wants to volunteer to be starting towards putting together a business case on any issues that we have that will be before us? For example I would be willing to start a business case on State Parks and anyone else who would want to join in on that one I would be happy to have them join me on that. Are there others that might want to start something? Are we getting to far ahead before we get more results from the survey?

**Robin Riggs:** Two things. I would be glad to join you on the State Parks because I serve currently on the private board of the This is the Place formerly State Park. Second I wouldn't mind starting an effort on the liquor stores.

**Steve Densley:** I can help Robin on the liquor store issue.

**Howard Stephenson:** I would be happy to help with parks.

**Randy Simmons:** So the three of us can talk about that. Anyone else who wants to assist with that please let us know. For the next meeting we can at least have a preliminary report towards that.

**Update on Survey – Chris Bruhn**

All of my results here are going to confirm what Len was talking about with alcohol consumption and ironically he already gave a lot of the information to you.

I am going to start out with the surveys sent out because that is going to be the quickest and easiest. Right now you will see the ones that say sent, expected and received. I have not yet received the board of education which isn't surprising they called me and said that is was going to take them a little longer along with Financial Institutions. Over the last three or four weeks I have been getting a lot of calls from people who were confused about what they are supposed to be categorizing as commercial activities or inherent government activities. So there may be something we need to clarify in the cover letter that I send out with them in actually defining what a core government activity is and what a commercial activity is just to make it a little bit easier for the agencies to fill out. Either that or they can just keep calling me and I will explain it as best I can.

We just have two or three agencies that are behind the ball with Courts and Carrier Service Review Board still yet to respond to the survey. That is my update on the survey being sent out. Community and Culture sent out a request to keep most of their information confidential and the reason they did that is because they are in the motion to privatizing and offloading some of their services. They did give me a, and I can send out the copies of that if you guys would like the actual document that they sent me. In the handouts I just gave you this is an offset of that matrix. With Community and Culture they identified a Folks Art Program that could be privatized. They are thinking of discontinuing the Radio Reading Program because they are duplicating with some of the libraries and the other private entities that are giving that service to the community. The LDS Church is also involved in that activity. With the Department of Environmental Quality they did the same thing they actually didn't fill out the whole survey because most of their functions they considered to be inherently governmental because they come down from Federal Mandates. So the water quality you have there on your handout is the only section of their agency that they filled out however, Amanda was more than willing to provide more information should we want it. She just figured that they would go through the processes and help up us out with what could and couldn't be privatized.

The rest of the information there you wont see too many analyst recommendations because I have not been able to get through all of the information and ask all the questions that I think are important. At this point in time the next step will be getting together with the Division Directors and making sure that I understand exactly what the process is and spending a couple of days watching and making sure that what they have actually given me is what they do.

**Randy Simmons:** For the Division of Environmental Quality stuff. If you will call me I have some contacts I can give you in the private sector that you can check with to so some back checking on.

**Chris Bruhn:** So that list is getting halfway through all the agencies we need to contact. Any other questions on the surveys?

What are the yellow markings?

**Chris Bruhn:** That is actually with the liquor board. All the yellow markings on that one page are the controlled states. I separated them so you would know which ones were controlled states and which ones were licensed states. The controlled states are the ones that have the liquor control boards. I have been focusing most on getting the information from the agencies and doing the surveys and for a brief time I have spent on the liquor board. I have found that there is not a lot of difference between the consumption once a state has gone from a controlled to a licensed state. The enforcement has not been a big problem as well. There is not a lot of difference between those two. There is a sheet out there that had a URL. I did it that way because it was a longer document. The state master, the one that has the yellow copy was kind of something I went through as I was looking through all the information. I am going to give you statistics on all the states, how much they consume, also the traffic fatality by percentage, by population and totals. You can look through it. I thought the most interesting one, I started to go through it and thought well it has to be based on consumption first so I started looking at Utah and then I went to the next one which was an uncontrolled state which was Kentucky and there is actually a disparity there. As you continue to look state by state you are going to see differences and I think that is where Len was talking about the regions where you get differences but when you put them all together they are pretty similar all together. A bigger population has more fatalities due to traffic accidents however the percentage of alcohol accidents that go into total accidents is also lowered based on the population. So I think the difference isn't great so to speak. I have given you the stats so you can actually look at it. The best example that I could find is looking at Iowa which is previously a controlled state and now is a licensed state.

**Randy Simmons:** Chris when you say most recent are these last year for example.

**Chris Bruhn:** No this is all 2003, 2004 data. There is nothing I could find that is more current. If you look at the percentage of traffic accidents or fatalities through the states you will get Iowa and Utah are the lowest ones they rank 50 and 51. And then you look at the consumption and there again Utah is the lowest consumption out of the 50 states. If you look at Iowa they consume over 50% of their population drinks and this is just regular consumption not heavy drinking or binge drinking. It shows that even if you have bigger consumption within a state it's more based on your population on how much you drink rather than the access to the alcohol for those entities. Yet 50% of people drink and yet you only have 2 or 3% more getting in fatal accidents. It's all based on population and population is actually fairly close between Iowa and Utah. I think it is a couple hundred thousand off. You're not going to see a big disparity. For purposes of losing control it is more of your demographics that lead consumption and enforcement problems.

**Jim Kessler:** Chris do you know how they arrived at this consumption.

**Chris Bruhn:** They took a lot of statistics from a national organization, it is like the FTC and the Alcohol and Drug Abuse and all of their reports and they have done a melting pot of many national surveys and responses.

**Jim Kessler:** I just want to comment Mr. Chairman for a part time man Chris has done a remarkable job.

**Randy Simmons:** Yes he has. I noticed the definition on a casual drinker is an adult that has had at least one drink of alcohol in the past 30 days. So Chris where do you plan to go from here with your data?

**Chris Bruhn:** I am going to continue to look and make sure I get all sides of the spectrum, not only from this but there are many different views such as Mothers Against Drunk Driving, policies as well and make sure that it is well rounded and the statistics stand up on both sides.

**Randy Simmons:** So do you think a month from now you will have all the surveys in?

**Chris Bruhn:** I wouldn't say that. They are going out like I said one per week to all the agencies and we are about half way through. I would say two months at best probably to get all of them out and to get the responses back.

**Randy Simmons:** Are there ways that we could have some pressure appropriately applied?

**Chris Bruhn:** Absolutely, I could send out more than one survey per week it would just take me longer to get through the information. I think that most people are trying to do their best. The agencies have called they have asked questions. I think it is going to just take a little bit of time to get the information.

**Randy Simmons:** But is it your impression that there is a good faith effort?

**Chris Bruhn:** Absolutely

### **Next Meeting**

The next meeting will be held on Wednesday May 26, 2010 in the East Building in the Seagull Room, Southeast Corner

Report from Robin Riggs and Randy Simmons

## **Streamlining Government through Privatization and Public-Private Partnerships**



*Reason*

**April 28, 2010  
Privatization Policy Board  
Salt Lake City, UT**

**Leonard Gilroy, AICP  
Director of Government Reform  
Reason Foundation | [reason.org](http://reason.org)**

## **Competition is Key to 21<sup>st</sup> Century Government**



*Reason*

- Government's role is evolving from service provider to provider & broker of services
- Government has come to rely far more on networks of public, private and non-profit organizations
- Privatization now seen as proven policy management tool to deliver better services at a lower cost
- "[T]he fastest way to save money and increase value is to force public institutions to compete."—David Osborne and Peter Hutchinson, *The Price of Government*

## Competition is Key to 21<sup>st</sup> Century Government



- *"It is better for the public to procure at the market whatever the market can supply; because there it is by competition kept up in its quality, and reduced to its minimum price."*—Thomas Jefferson, 1808
- *"It is not a government's obligation to provide services, but to see that they are provided."*—former New York Governor Mario Cuomo
- *"Privatize everything you can."*—Chicago Mayor Richard Daley's advice to incoming DC mayor

## Privatization Defined



- Privatization—aka contracting out, outsourcing, competitive sourcing or public-private partnerships (PPPs)—simply refers to contracts between governments and private sector (for-profit and nonprofit) firms in the delivery of public services.
- Ranges from simple contracting to large-scale asset sales and joint ventures; taps private capital in most powerful versions.
- All forms of privatization are simply policy tools—they can be effective when used well and ineffective when used incorrectly.
- Privatization introduces competition into an otherwise monopolistic system of public service delivery.
- Competition promotes innovation, cost savings, efficiency and greater effectiveness in serving the shifting demands of customers.



## Common Goals of Privatization

- **Cost Savings**
  - Rule of thumb—10-25% on average (+/-)
- **Service/Quality Improvements**
  - Competitive bidding; performance guarantees
- **Innovation**
  - Static processes, red tape obstacles to public sector innovation
- **Enhanced Risk Management**
  - Key risks (cost overruns, delivery dates, liabilities) can be transferred from public to private sector
- **Accelerated Delivery**
  - Competitive contracting, performance incentives
- **Changing Antiquated Business Processes**
  - Private sector is nimble, can adapt to changing technologies, best practices



## Guiding Principles of Smart Privatization

- Non-policy making or “inherently governmental” functions present opportunities for competition
- Competition should drive change, such as:
  - Less tax dollars required
  - Higher quality of service
  - More capital investment
  - More flexibility
  - Transferring risk to private sector
- Government sets the agenda—establishes goals and desired outcomes upfront, then structures competition to achieve them
- Developing a credible business case should be the first step in any competition initiative, outlining the rationale

## Where Can Governments Apply Competition/Privatization?



- Road, building, facility maintenance
- Vehicle fleet operations, maintenance & ownership
- Core IT infrastructure & network, web & data processing
- Administrative support services (e.g., HR, payroll, accounting, mail, printing, etc.)
- Risk management (claims admin, loss prevention, etc.)
- Facilities financing, operations & maintenance
- Park operations & maintenance
- Corrections and mental health (facility construction and management; health care & food services)
- Revenue-generating assets (garages, parking meters, etc.)
- Core infrastructure (roads/transit, water, airports, etc.)

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## Where Can't States Apply Competition/Privatization?

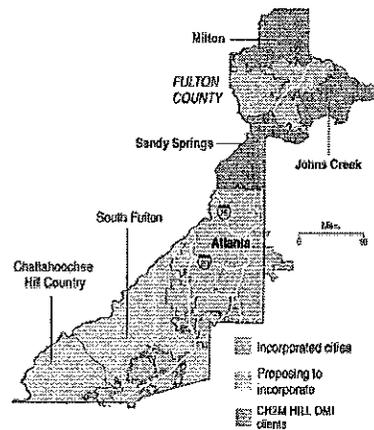


- Virtually every service, function and activity has successfully been subjected to competition by a government somewhere around the world at some time.
- When asked what he wouldn't privatize, former Florida Governor Jeb Bush replied: "...*police functions, in general, would be the first thing to be careful about outsourcing or privatizing. This office. Offices of elected officials ... and major decision-making jobs that set policy would never be privatized.*"
- Under Bush's watch, Florida used competitive sourcing more than 130 times, saving more than \$500 million in actual dollars and prevented an estimated \$1 billion in additional costs.

## Thinking Big on Privatization: Georgia's New Privatized Cities



- 2005: Sandy Springs becomes Georgia's first "contract city"
  - Private contractors provide nearly 100% of non-safety related operational and admin services
- Since 2006, 4 more contract cities
- Cities started with <5 public employees
- ~250,000 Metro Atlanta citizens served by privatized city gov't
- *Benefits:* tremendous cost savings; service improvements; minimal pension obligations; uniform processes and technology; shared services, IGAs



## **Privatization Myth 1: “Privatization is partisan.”**



**Fact:** Privatization is used by leaders from both major political parties.

Examples:

- More federal services privatized under Clinton than Reagan.
- Former Indianapolis Mayor Stephen Goldsmith, a Republican, identified \$400 million in savings and opened up over five dozen city services to competitive bidding.
- Chicago Mayor Richard Daley, a Democrat, has privatized more than 40 services and, since 2005, has generated over \$3 billion in asset leases (Chicago Skyway toll road, four downtown parking garages, and the city's downtown parking meter system).
- While mayor of Philadelphia, current PA Gov. Ed Rendell saved \$275 million by privatizing 49 city services.

## **Privatization Myth 2: “Privatization involves a loss of public control.”**



**Fact:** In well-structured privatization initiatives the government and taxpayers gain control and accountability, rather than lose it.

- The legal foundation of a privatization initiative is a contract that spells out all of the responsibilities and performance expectations that the government partner will require of the contractor. No detail is too small.
- Failure to meet the performance standards specified in the contract could expose the contractor to financial penalties, and in the worst-case scenario, termination of the contract.

### **Privatization Myth 3: “Privatization hurts public employees.”**



**Fact:** Comprehensive examinations of privatization initiatives have found that they tend to result in few, if any, actual layoffs.

- Common practice to ask contractor to hire some or all current employees as condition of contract.
- Employees not retained by the new contractor usually either retire early or shift to other government jobs.
- Public employees can actually benefit in the long term when hired on by contractors, which often present greater opportunities for lateral and upward career advancement, training and continuing education, and pay commensurate with performance, for example.
- All privatization initiatives should include a plan to manage public employee transitions.

### **Lessons Learned: Keys to Successful Privatization**



- Rethink the status quo—ask the “make or buy” question.
  - Taking a page from management guru Peter Drucker, every “traditional” service or function should have to prove its worthiness and proper role within government.
- Establish guidelines for public/private cost comparisons.
  - Formal guidelines for cost comparisons needed to ensure that all costs are included in the “unit cost” of service provision to facilitate an “apples-to-apples” comparison of competing options.
- Utilize “best value” contracting.
  - “Low bid” isn’t necessarily the “best” bid—governments should choose the best mix of quality, cost and other factors in selecting a service vendor.

## **Lessons Learned: Keys to Successful Privatization**



- Seek stakeholder input and establish clear lines of communication with the public to avoid a lack of transparency.
  - Explain motivations, goals and effects of changes.
- Develop performance metrics and goals, and build these goals and benchmarks into the contract.
  - Tie performance at achieving these goals to payment.
- Develop strong oversight, monitoring and assessment protocols before entering into a contract to ensure compliance and performance.
  - Monitoring should focus on quantifiable measures and achieving results, not on process.

## **Lessons Learned: Keys to Successful Privatization**



- “Yellow Pages test”: conduct regular inventory of all functions and activities performed by state government, distinguishing between “inherently governmental” and “commercial” activities. (
- Develop a centralized 'unit' designed to manage initiatives
  - Establish best practices
  - Utilize lessons learned
  - Develop a standard performance-based process
  - Identify enterprise-wide challenges and possible solutions
- Establish a core group of procurement officials to assist in procurement planning and decisions.

## **“Yellow Pages Test” in Practice: Commercial Activity Inventories**



- Scour all agencies, all services, all activities—classifies each as either “inherently governmental” or “commercial” in nature
- “Yellow Pages Test”: inventory helps government concentrate on delivering core, “inherently governmental” services while partnering with the private sector for commercial activities
- Virginia: 1999 inventory identified 205 commercial activities involving over 38,000 state employees (out of <90k)
- Helps identify those areas in which government is engaged in the business of business.

## **Establish a Competitive Government Commission/Administrative Center**



- Independent decision making body—effectively a central unit designed to sustainably “right-size” government
- Creates a standardized process for identifying and implementing competitive sourcing opportunities enterprise-wide
- Requires business cases for potential outsourcing projects—pre-budgetary analysis of service delivery options
- Examples: Council on Efficient Government (FL), Utah Privatization Policy Board (UT), Council on Competitive Government (TX)
- De-politicizes competition and privatization; brings transparency, accountability; increased public confidence

## **Case Study: Florida Council on Efficient Government**



- Midway through his term, Gov. Bush's major privatization successes became overshadowed by media spotlight on a few big-ticket projects experiencing implementation challenges.
- Gov. Bush: the state was *"not very good at procuring, and as a result we've had some challenges . . . that have clouded a really good record as it relates to saving money for the state...we have to get better at procuring and monitoring the procurements."*
- To that end, signed March 2004 executive order directing the Dept. of Management Services to create a "center of excellence" authorized to conduct a statewide evaluation of Florida's competitive sourcing efforts.

## **Case Study: Florida Council on Efficient Government**



- CEG (subsequently codified into statute as the Council on Efficient Government) is Florida's enterprise-wide gateway for best business practices in competitive sourcing:
  - Trained unit that assists agencies with their competition initiatives, accountability, and communication
  - Developed statewide outsourcing standards applicable to any proposed competition initiative
  - Identifies competition opportunities
  - Assists agencies with business case development
  - Oversees execution of outsourcing projects
  - and standardizes how the state identifies opportunities, conducts competitions, and awards and manages contracts for government services.

## Case Study: Florida Council on Efficient Government



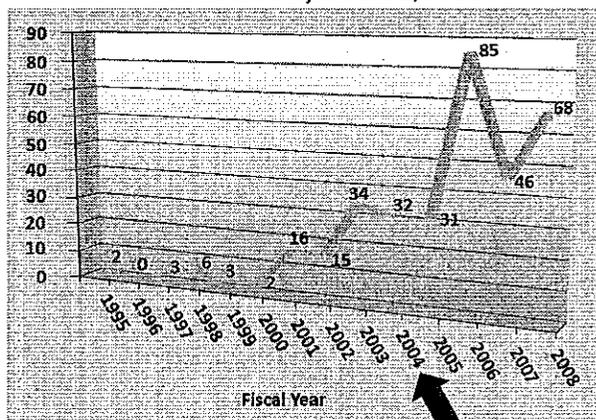
- Bush's initiatives included:
  - Highway maintenance
  - Core enterprise IT infrastructure
  - Vehicle fleet management
  - Medicaid billing
  - Toll collections
  - Online professional licensing
  - State psychiatric hospitals
  - Prison food service
  - Maintenance in state parks
  - Custodial services
  - Over 100 others!

Initiative	Results
Prison Food Service	\$16.9 million over 3 years
Juvenile Justice Food Service	\$2.5 million annual
Medicaid Billing	\$1.7 million annual
Online Professional Licensing System	\$2.2 million to date
Data and Research Services	\$353,145 to date
Centralized State Park Reservations System	100 percent increase in reservations
Maintenance of State Parks	Reduced equipment repair costs, savings of more than \$630,000 a year
Employee Help Desk	Contract was cancelled
Highway Maintenance	\$83.7 million or 15.3 percent throughout the life of the contracts
Innate Health Care	\$24.6 million over 4 years

## Florida State Contracting Skyrockets



Number of Outsourced Projects in FL, FY95-FY08

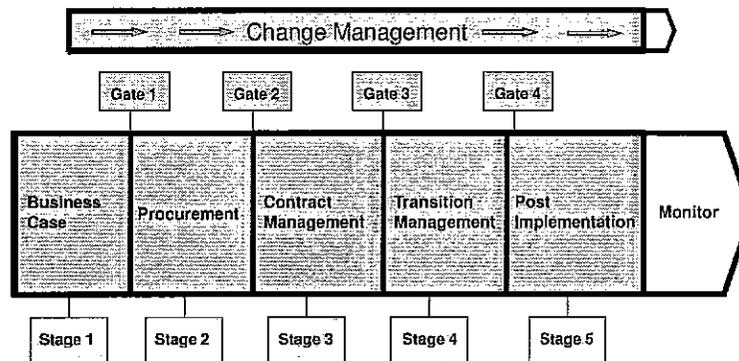


**1999**  
 <20 contracts

**2008**  
 551 contracts,  
 lifetime value of  
 over \$8 billion

Center for Efficient Government created

## Florida Privatization Case Study: GATE Management Process



## Florida Privatization Best Practices: Business Case Development



- **Why**

- Essential to provide a broad analysis and plan of the overall project to facilitate buy-in and provide a verifiable basis for conducting a competition initiative.

- **What**

- Clear rationale for the recommendation to compete; should define:
  - current situation/benchmarks;
  - need or desirability for the proposed competition initiative;
  - key expected project benefits & outcomes;
  - estimated financial costs.

## **Florida Privatization Best Practices: Business Case Development**



- **When**

- Should be drafted after a project has been conceptually designed and vetted. However, it should be a living document through the execution of a contract and updated as conditions change.

- **Who**

- Developed with the input of key stakeholders (internal and external). Drafted by a team of people, including subject matter experts; budget, legal, personnel and purchasing staff; experienced project managers; senior managers; and, seasoned technology project managers where appropriate.

## **Florida Privatization Best Practices: Business Case Development**



### **Key Components**

- Provide the Benchmark
- Rationalize the Competition
- Articulate Assumptions and Methodology
- Describe Recommended Solution & Full Project Scope
- Identify Impact & Risk Assessment
- Develop Transition Management Strategy
- Identify Critical Success Factors
- Detail Proposed Procurement Process

# Questions?



## **Leonard Gilroy, AICP**

Director of Government Reform  
Reason Foundation

[leonard.gilroy@reason.org](mailto:leonard.gilroy@reason.org)

(713) 927-8777

[reason.org](http://reason.org)

## Road Maintenance PPPs



- Approach pioneered in Australia and New Zealand
- Virginia's DOT became the first in the U.S in 1996, outsourcing over 250 miles of Interstate maintenance to one contractor in a 5.5-year, \$130 million fixed-cost contract (subsequently renewed and extended). Cost savings estimated between 6-20%.
- Florida's DOT currently has 32 "total asset management" contracts; estimated savings over in-house provision at 16%, and savings over traditional short-term maintenance contracting of 10%.
- Likely that true savings are even higher. Those would have been 980 contracts had they been issued through traditional short-term maintenance contracting. Instead of the 348 invoices they process annually today, the state would have processed over 11,000 annually under traditional contracting approaches.

## PPP Model Can Be Applied to Many Other Public Assets



- Examples: prisons, courthouses, state-owned buildings, hospitals and mental care facilities, museums, state parks, etc.
- Same benefits as performance-based road maintenance contracting—greater cost savings, predictable budget line item, risk transfer, efficiency gains.
- Georgia's Department of Juvenile Justice (DJJ) began outsourcing facility maintenance at 30 of its 35 Facilities in 2001; first successful state correctional system maintenance outsourcing; structured to provide a long term maintenance solution without increasing the budget.
- Generated significant improvement in facility conditions and resolved lingering maintenance needs, all while holding the budget flat.
- Contractor also developed a Computerized Maintenance Management System for all of the DJJ facilities

## Privatization Opportunities: Building Maintenance/Management



- Building/facility management contracts are ubiquitous; ranges from individual building maintenance/janitorial contracts to agency-wide facility maintenance management systems
- Average cost savings from privatization: *10-40 percent*
- Recommendations:
  - Consider centralizing all state building and facility management/maintenance in DOA
  - Aggressively pursue performance-based maintenance contracting for state buildings and facilities
- Examples:
  - *Georgia Dept. of Juvenile Justice*: significantly improved facility conditions and resolved lingering maintenance needs, all while holding the budget flat
  - *State of Missouri*: >\$9.5 million annual savings

## Privatization Opportunities: Information Technology



- Well-suited for applying privatization
  - IT is not a core competency of government; many private companies outsource for IT services as well
  - Evolutionary nature of technology; rapidly changing needs; changing customer/user demands
  - “Dustbunny” problem—aging, legacy public IT systems
  - Hot opportunities—enterprise resource planning; shared services; infrastructure/data consolidation
- Reasons for privatization
  - Achieve cost savings
  - Tap private sector IT skills; latest technology
  - Modernize antiquated IT systems, business practices
  - Improve user/customer experience

## Privatization Opportunities: Human Resources



- HR is among the most common functions outsourced in both the public and private sectors.
- Commonly-privatized administrative HR support functions:
  - Recruitment and hiring
  - Pre-employment screening and background checks
  - New employee and orientation processing
  - Training
  - Time, attendance, and leave
  - Salary and payroll preparation transactions
  - Payroll production
  - Benefits administration
  - Retirement enrollment assistance
  - Employee records management
  - Insurance

## Privatization Opportunities: Human Resources (cont'd)



- Example: State of Florida—PeopleFirst
  - State saved \$12 million from staff reductions, \$80 million from the cost avoidance of rebuilding its own system, and other efficiencies through the elimination of duplicative services.
  - 862 positions eliminated, resulting in a 70 percent reduction in the state's HR-related workforce.
  - 59 percent of the employees surveyed said that People First met or exceeded expectations.
  - Project management has been a challenge.
  - Excessive customization to the off-the-shelf software (over 200 customized interfaces).
  - Internal assessment of hardware and software at each agency not conducted prior to launching People First, resulting in incompatibilities between the various infrastructures.

## Privatization Opportunities: Information Technology (cont'd)



### Pennsylvania:

- Aug 1999: PA contracts with Unisys for 1<sup>st</sup> generation enterprise computing services; goals achieved, but needs evolved over time.
- 2006: Gov. Rendell directs Office of Admin. to evaluate potential scenarios for 2<sup>nd</sup> generation enterprise computing services model.
- 2007: State contracts with EquaTerra for 3<sup>rd</sup> party analysis of Unisys contract and ability to meet the state's future IT needs.
- EquaTerra analysis validated cost savings through IT outsourcing; identified 35 ways to improve the Unisys contract.
- Office of Admin. developed new computing services agreement with Unisys; incorporated current IT best-practices.
- 2<sup>nd</sup> generation outsourcing contract will reduce costs by \$257+ million over the next 7 years.

## Privatization Opportunities: Information Technology (cont'd)



### Georgia Infrastructure Transformation 2010:

- February 2008 consultant report: Georgia Technology Authority (GTA) is "a highly inefficient and dysfunctional organization...[only] an enterprise-wide initiative that draws services and skills from the market has the opportunity to make timely repairs."
- Perdue administration is advancing three major privatization initiatives: IT infrastructure; managed network services, web portal transformation project.
- The three contracts would total \$1.28 billion over 5 years, shift 500 state employees to private companies, and eliminate roughly 200 positions.

### Ohio:

- Dept. of Administrative Services is evaluating bids for a managed-services contract to handle state accounting, payroll, and personnel management systems.
- Silicon Valley consultant report: current system "is not able to effectively support the current and future business needs of the state."

## Privatization Opportunities: Information Technology (cont'd)



### Lessons Learned in Florida:

- In addition to MyFloridaMarketPlace (procurement), the state also implemented two other major IT initiatives: People First (human resource functions) and Project Aspire (accounting and financials).
- All three programs required significant modifications and experienced implementation difficulties.
- 2008 Council on Efficient Government assessment:
  - States can reduce risk and enhance manageability by discouraging large-scale projects and encouraging incremental, phased-in approaches.
  - Major IT challenges included the lack of standardization of business practices across agencies and internal resistance to a uniform process.
  - Project scope was a moving target. Numerous changes requested by the state delayed these projects.

## Privatization Opportunities: Printing & Document Management



- Copying and printing services are particularly well-suited to privatization; many providers; many adopters
- Like corporations, governments adopting contracting model to reduce costs and improve efficiency and service quality.
- Average cost savings from privatization: *20-50 percent*
- Privatization maximizes use of existing equipment, offers access to new technology.
- Privatization allows for greater staffing flexibility to adjust to changing levels of demand for services (e.g. April tax filing).
- Examples:
  - State of Utah: contract with Xerox saving \$1 million/yr
  - Indianapolis: saved 30% through contracting
  - US Gov't Printing Office: 23% initial savings; 50% projected

## Privatization Opportunities: Procurement



- Procurement of goods and services is not an “inherently governmental” function
- Key policy questions: “What aspects of procurement do you want to privatize and why?”
- Examples
  - **Utah**: contracts with Staples for procurement of the state’s office supplies; dramatically reduced the need for warehousing and the costs of carrying inventory; cost savings estimated at \$500,000 annually
  - **Dunwoody, GA**: new Georgia “contract city” (i.e., private contractors provide nearly 100% of non-safety related services) using a private consultant to identify contractors and negotiate bundled service contracts

## Privatization Opportunities: Procurement (cont'd)



- Examples (cont'd)
  - **MyFloridaMarketPlace (MFMP):**
    - E-procurement system allowing buyers access to electronic purchase orders, invoicing of goods and services, electronic vendor registration, e-quotes and electronic bidding/sourcing.
    - Also serves as a performance reporting tool on vendor performance in providing products and services.
    - Began in 2003; today 29 state agencies, 13,000+ state users and 90,000 vendors use MFMP.
    - Self-funded; supported by a 1% transaction fee.
    - Original 5-year contract value with Accenture was \$108.2 million. Contract subsequently extended for three years (\$114 million total).
    - No FTE positions were displaced.

## Privatization Opportunities: Procurement (cont'd)



- Examples (cont'd)
  - **MyFloridaMarketPlace (MFMP):**

2008 FL Council on Efficient Government findings:

    - State “was successful in developing and implementing a Web-based e-procurement system...[MFMP] improved accountability for the expenditure of state funds and provided better insight into its purchasing patterns.”
    - “[A]gencies experienced a reduction in paperwork, faster processing time due to online approvals, expedited transaction times and vendors benefited from having a centralized source of procurement information.”
    - FL Dept. of Management Services reports \$71 million in savings and significantly improved end user satisfaction (91%).

## **Privatization Opportunities: Property/Surplus Management**



- Divesting non-movable property, managing movable assets, and selling surplus property are core functions of many commercial activities; well suited for privatization.
- No state has fully privatized surplus property management or property procurement. However, states have used private contractors for specific divestment opportunities, asset inventories, and other related functions.
- Letting contractor manage property sales and procurement could completely eliminate costs of staff, warehousing, trucks.
- Two general forms:
  - Long-term contracting for holistic asset management
  - Short-term contracts for specific services
- Examples:
  - U.S. Department of Defense, U.S. Navy, State of Georgia, State of Oregon

## **Privatization Opportunities: State Land Management**



- Most State Land Office (SLO) operations are commercial in nature.
- Privatization opportunities include:
  - Full divestiture of parks, other state lands.
  - Contracting for maintenance of public lands.
  - Sale-leasebacks of state assets.
  - Partially transfer park ownership/management to nonprofits or preservation associations.
  - Backend functions (SLABS updates, GIS, data processing, etc.)
- Two approaches:
  - Turnkey contract to one vendor for all SLO services
  - Contract with multiple vendors for unique SLO functions

## Privatization Opportunities: Vehicle Fleet Operations/Management



- Well-suited for private provision—private sector can focus on fleet itself; government can focus on services that fleet provides
- Potential components
  - Fuel, maintenance and service repairs
  - Non-state ownership of vehicles (contracted motor pool)
  - Rental services
  - Personal vehicles and/or heavy equipment
- No cookie-cutter approach—policy goals should be clearly defined upfront; then structure initiative to achieve them:
  - Long-term operational savings
  - Structural changes (i.e., consolidation, etc.)
  - Risk transfer—shifting capital & long-term O&M exposure

## Privatization Opportunities: Vehicle Fleet Operations/Management (cont'd)



### Virginia:

- In late 1990s, Gen. Assembly transferred automobile fleet maintenance from VDOT to Department of General Services (DGS).
- DGS opened auto maintenance to competitive sourcing, saving approx. 25% on the cost of auto maintenance through competition.
- 2005: contracted for new Vehicle Maintenance Control Center (fleet maintenance info management system):
  - VMCC on-call 24/7/365; network includes approx. 500 private maintenance facilities & 77 state shops
  - Vehicle preventive maintenance service cost: \$44.71 (before) vs. \$37 (after)
  - Brake service average cost: \$228 (before) vs. \$81 (after)
  - Vehicle down time: 15% > 2 days/70% <1 day (before) vs. 3% > 2 days/83% <1 day (after)
- 2006: outsourced short-term vehicle rentals to Enterprise