

# Lessons Learned from ICMA's Alternative Service Delivery Surveys

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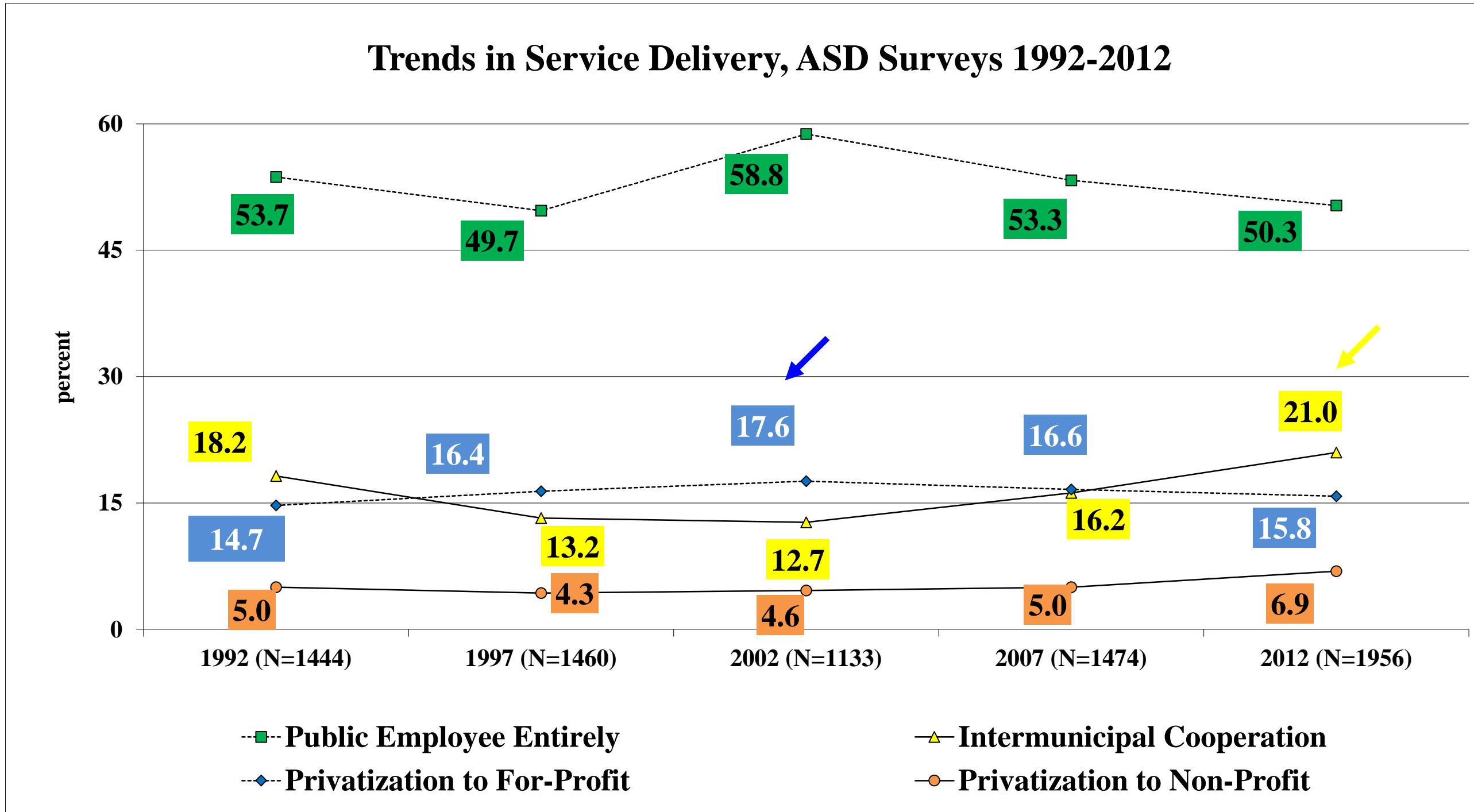


# ICMA Alternative Service Delivery Surveys

- Launched in 1982 – To explore private forms of service delivery
  - Contracting to for profits, non profits, other governments, franchises, subsidies, volunteers.
  - 65-70 services in public works, public safety, utilities, health and social services, utilities, parks and recreation, culture and arts, general government
  - Motivators, Barriers, Management Characteristics
- Conducted every 5 years – All cities over 25,000, All Counties, partial sample of places under 25,000. 1200-1600 response per survey
- Most comprehensive source of data on local government service delivery in the world.

# Privatization Peaked in 1997: Cooperation is the New Reform

## Trends in Service Delivery, ASD Surveys 1992-2012



# Overview

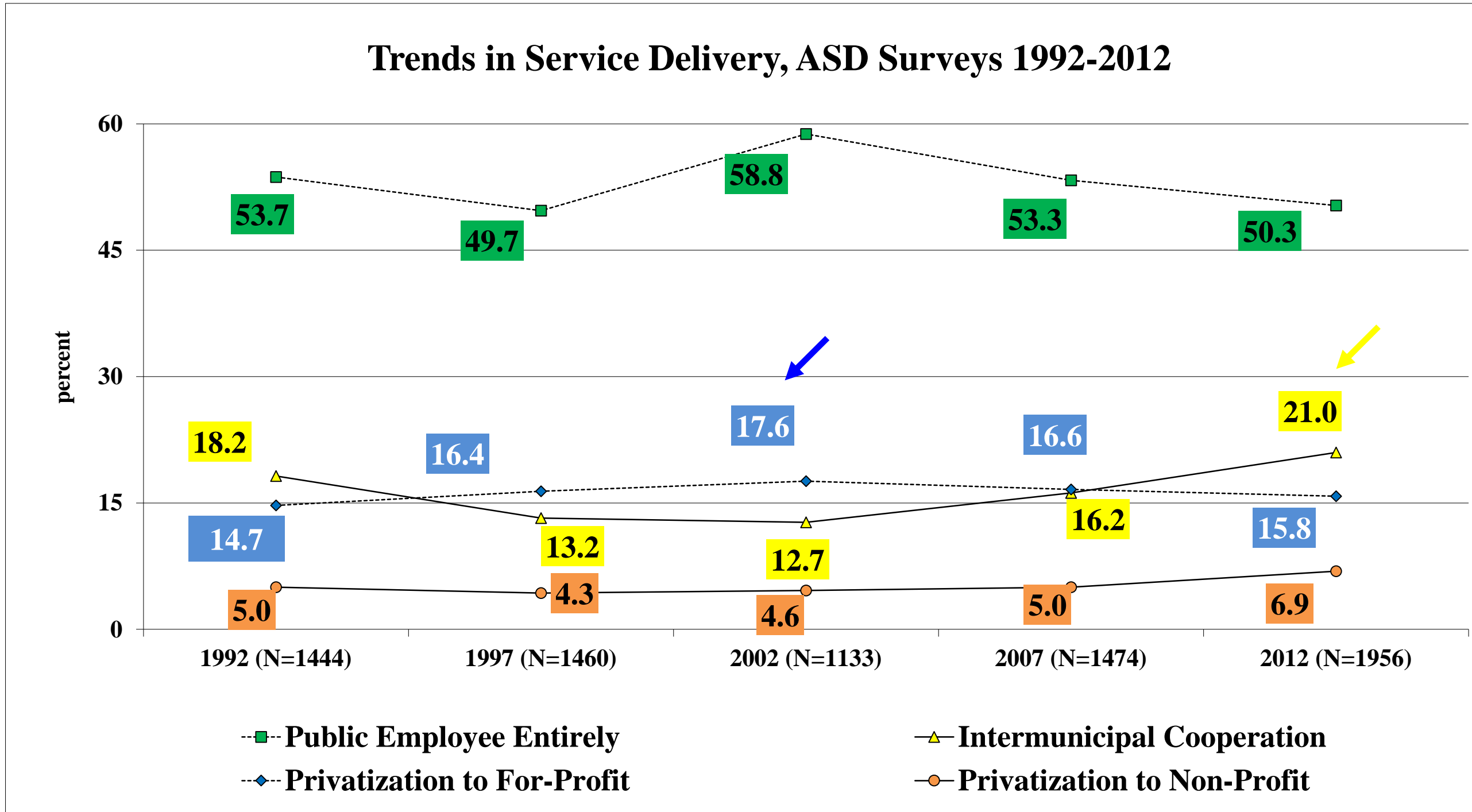
- Late 20<sup>th</sup> century experiment to expand role of markets in local government service delivery
- Reinventing Government Movement
- US Privatization peaks in 1997 (UK ends compulsory competitive tendering in 1998)
- Privatization experience uneven
  - Suburbs, richer places have highest rates
  - Lack of cost savings (Bel, Fageda and Warner 2010)
  - Exacerbates inequality, does not promote citizen voice
- Reversals appear in the late 1990s
  - Now called Re-municipalization in Europe and the Global South

# Overview

- Early 21<sup>st</sup> Century –rebalance government/market relationship
- Shift from Competition to Cooperation
- Network Governance
- Not a return to old bureaucratic delivery, instead
  - A shift to a new mixed position – markets *and* public delivery
- Rebalancing Governmental Reform – Pragmatic Municipalism
  - Limits of markets, critical role of the public sector
  - Inter-municipal cooperation to gain scale
  - Hybrid - mixed public private forms to manage market risk
  - Managing community, business and labor interests

# Privatization Peaked in 1997: Cooperation is the New Reform

## Trends in Service Delivery, ASD Surveys 1992-2012



# Why did Privatization Fail?

- Competition is hard to ensure
  - Many public services are natural monopolies
  - Competition erodes and so do cost savings
  - Government must structure the market
- Need for Failsafe Delivery
  - Loss of internal intelligence and control
  - Transfer risk to public sector
- High Costs of Contracting
  - Transactions costs (information asymmetries, structuring contracts)
  - Leads to relational contract (collusion)
- Democracy ≠ Markets
  - Accountability challenges
  - Preference alignment problems
  - Need for public participation in service delivery



# Markets for Public Services Are Uncompetitive

## Competition

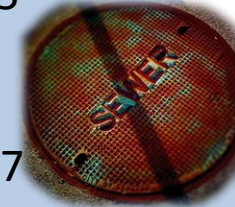
- Child Care >3
- Vehicle Towing > 3
- Waste Collection < 3
- Vehicle Maintenance 2
- Street Repair < 3



## Monopoly

- Police < .5
- Fire < .5

- Sewer < .7
- Water 1



- Utilities 1.5

- Transit 1.3

- Waste Disposal 1.3

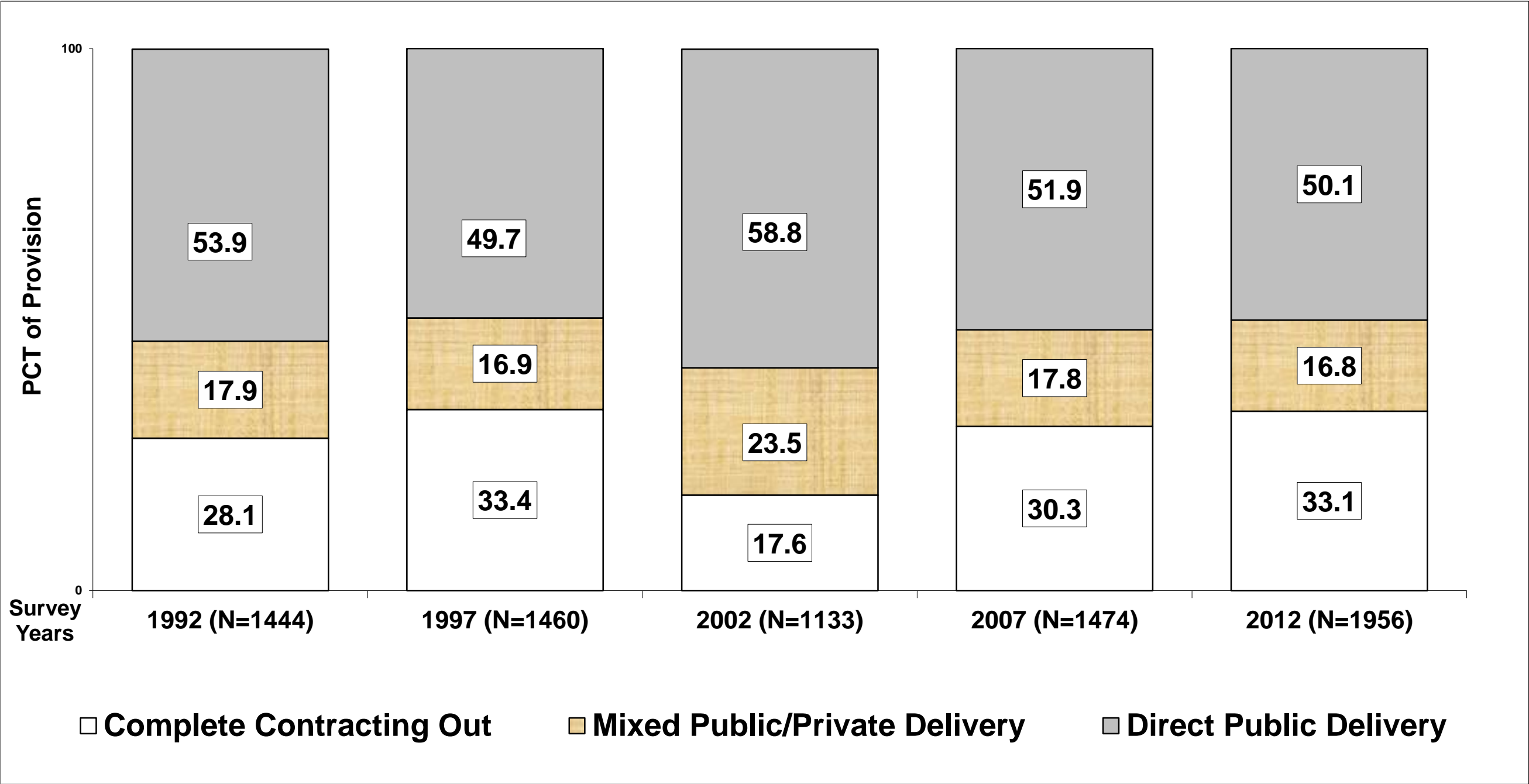


## Low Competition

2012 survey of 162 city managers



# Government Must Manage Contract Markets – Mixed Delivery



# What is Mixed Market Delivery?

- Benchmarking – information asymmetries
- Market Management – create competition
- Redundancy – ensure failsafe delivery
- Work sharing – network governance or inter-firm alliances
- Public Engagement – ensure public participation in the delivery process
- Private Sector – Concurrent sourcing to achieve complementarities between firm and market
- Mixed delivery twice as common in for profit contracts as in inter-municipal contracts (more value congruence)
- In Europe see emergence of mixed public/private firm

# Reversals: US Local Government

# Contracting 2007-2012

Towards Private



Towards Public



Private Delivery  
30% Stable

New Contracts  
11%

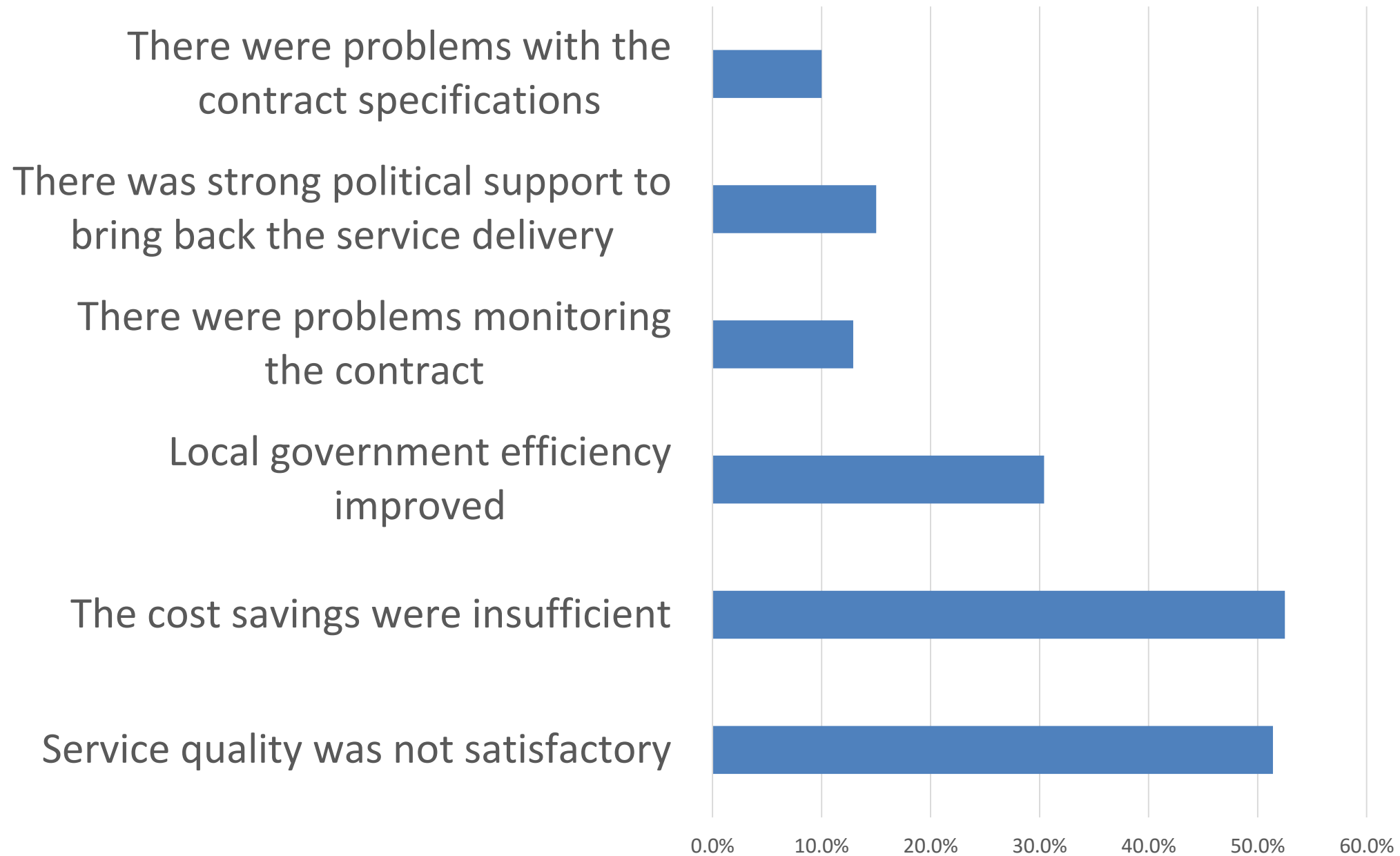
Reversals  
10%

Public Delivery  
49% Stable



# Why Reverse Contracts?

% Govts Responding

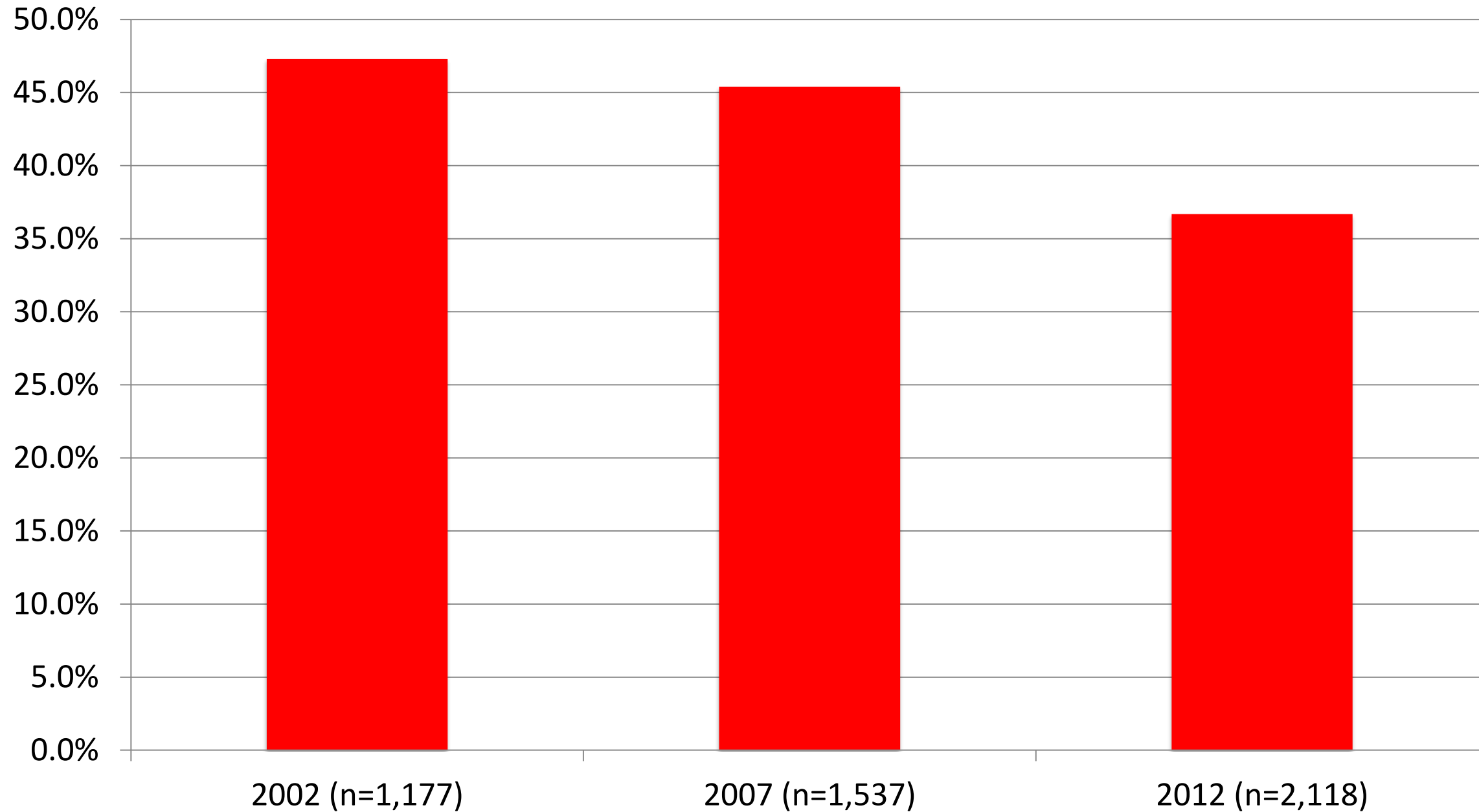


Reversals twice as high in for profit as in inter-municipal contracts

ICMA ASD Survey, 2012

# Still Problems with Contract Evaluation

Percentage of municipalities evaluating privatization contracts



Inter-municipal cooperation is the new reform.

But cooperation has its own challenges.

Lack of Cost Savings

Level up costs

Administrative Design Costs

Difficult to Monitor

Weak sanctions with neighbors

Don't see voluntary cooperation across difference

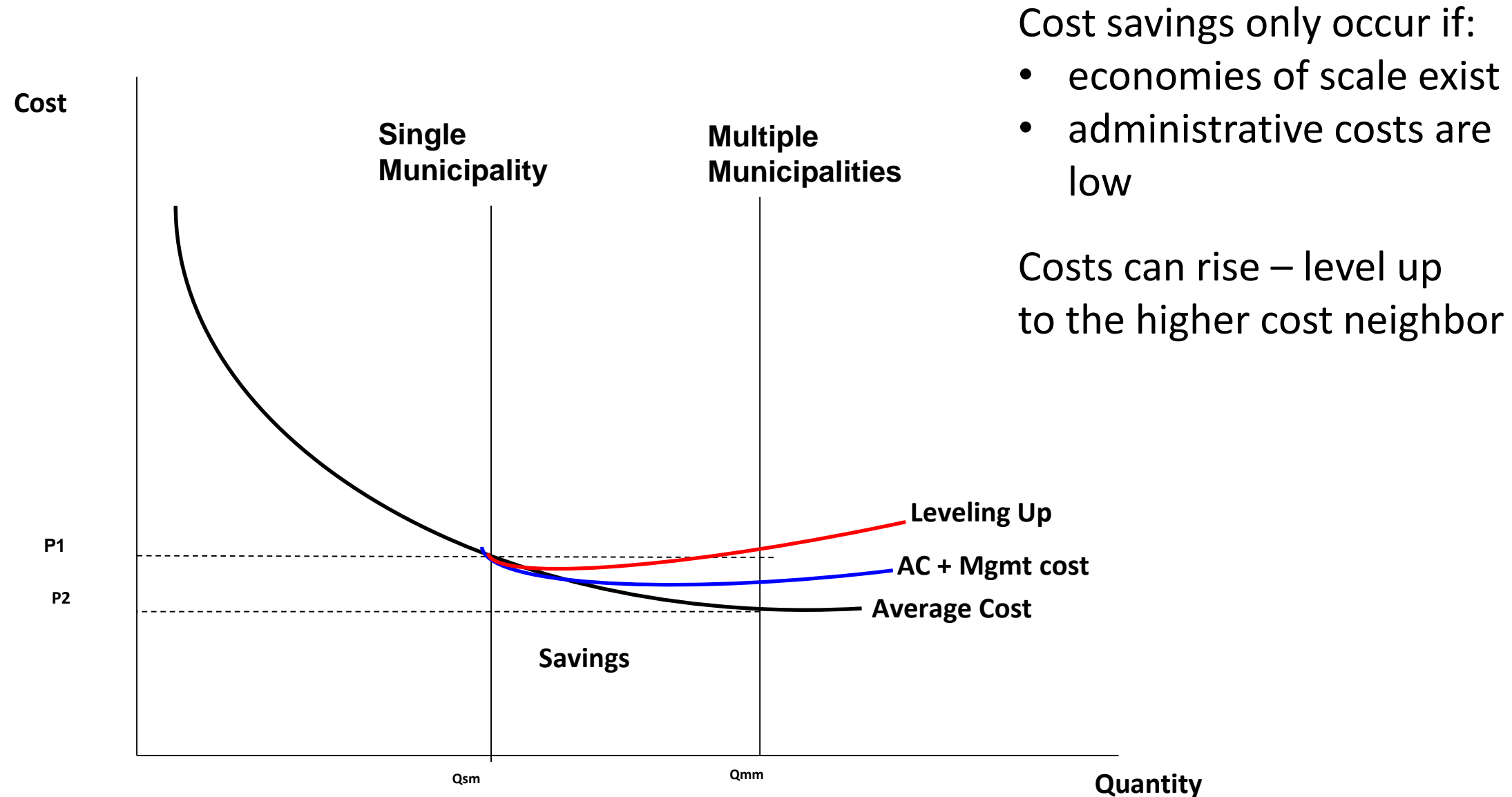
Leaves out poor partners

Broader Goals

Service Quality

Regional coordination

# Do Shared Service Save Costs?



Cost savings only occur if:

- economies of scale exist
- administrative costs are low

Costs can rise – level up to the higher cost neighbor



# New Survey Questions Added Over Time



Reverse Privatization - Contracting Back In (2002)

Factors driving Cooperation – regionalism (2007)

New sources of Finance – TIF, PILOTs, User Fees, BIDs (2012)

Responses to Fiscal Stress (2017)

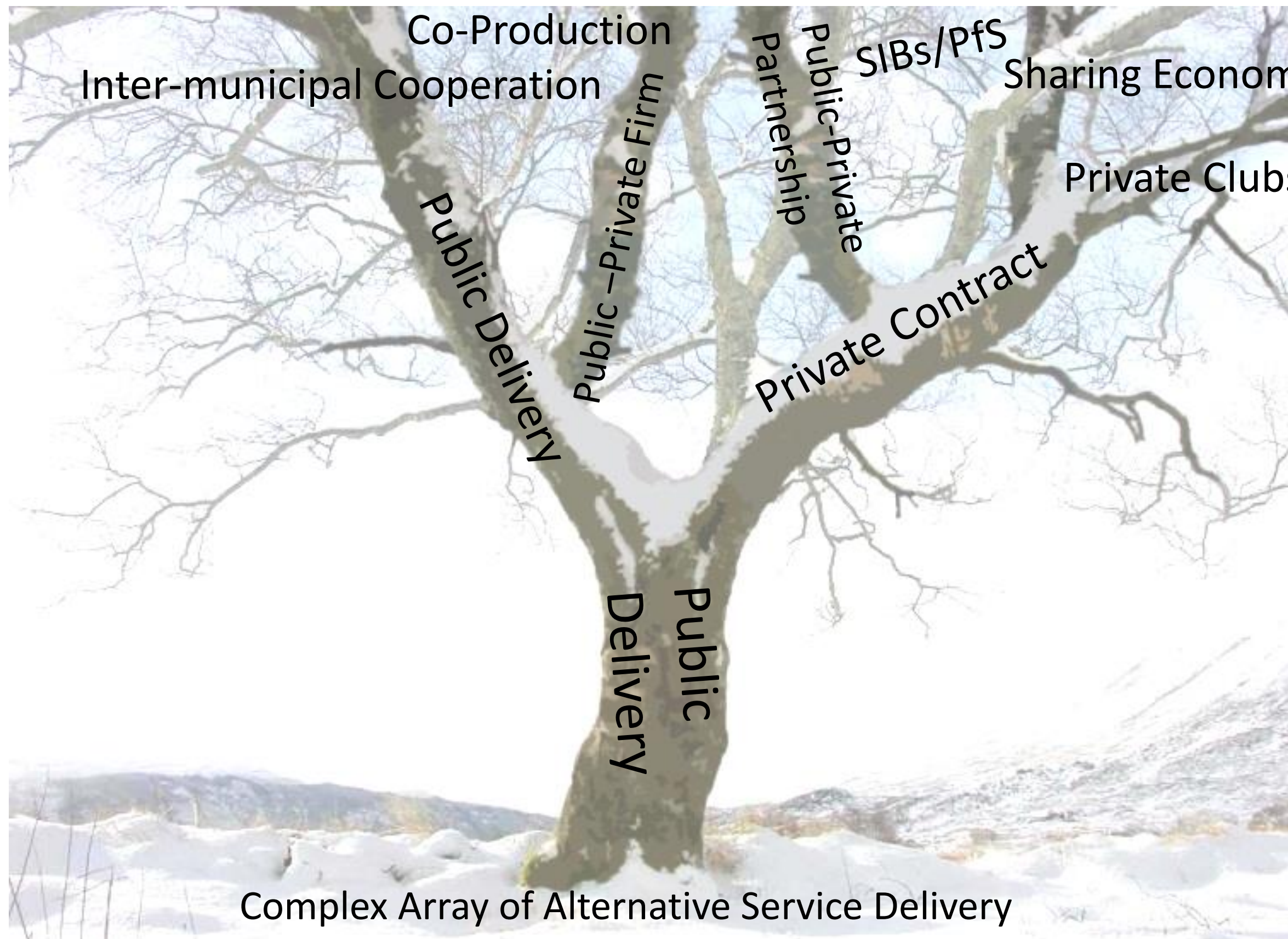
Challenges as we move from contracting to network governance

Financial forms of service delivery – PPPs, Pay for Success

Cooperation range from formal to informal, across a broad range of partners

What questions are most important to you?





Co-Production  
Inter-municipal Cooperation

Public Delivery

Public-Private Firm

Public  
Delivery

Partnership  
Public-Private

SIBs/PfS

Private Contract

Sharing Economy

Private Clubs

Complex Array of Alternative Service Delivery

# 21<sup>st</sup> Century Management Challenges



- Fiscal Stress and State Preemption
- Alternative Revenue Sources – Fees, charges
- Barriers to cooperation
- Challenges of contract management – especially in a networked system
  - Managing Citizen expectations
  - Managing Union/Labor concerns
  - Managing Markets, especial financial interests
- Pragmatic Municipalism – gets the balance right

For more information see  
[www.mildredwarner.org](http://www.mildredwarner.org)

