



*An Evaluation of
Public-Private
Partnerships for
Water and
Wastewater
Systems*

June 2005





ACKNOWLEDGEMENTS

This report was prepared by the staff of the Water Partnership Council, a non-profit organization established in 2001 by the leading providers of operational services for water and wastewater systems in the United States. The Council seeks to partner with citizens, local governments, and organizations committed to strengthening the U.S. water and wastewater infrastructure. The Water Partnership Council is dedicated to helping communities and companies in America meet their water and wastewater needs in the safest, most environmentally sound, most cost-effective manner possible.

Members of the Council are American Water, OMI, Inc., Severn Trent Services, Southwest Water Company Services Group, United Water, and Veolia Water North America.

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Participating communities

Bexar Metropolitan Water District
- San Antonio, Texas
Boyertown, Pennsylvania
Burkburnett, Texas
Burbank, California
Clarksville, Indiana
Coos Bay, Oregon
Dade City, Florida
Dedham - Westwood, Massachusetts
Dos Palos, California
Edwardsville, Illinois
Fayetteville, Arkansas
Freeport, Texas
Fulton County, Georgia
Glynn County, Georgia
Indianapolis, Indiana
Jackson, Mississippi
Jacksonville, Florida
Keystone, South Dakota
Lathrop, California
Leominster, Massachusetts
Milwaukee, Wisconsin
Moore, Oklahoma
New Bedford, Massachusetts
Reidsville, North Carolina
Rialto, California
Rio Rancho, New Mexico
Tri-Cities North Regional Water Authority, Ohio
Waterbury, Connecticut
West Basin Municipal Water District
- El Segundo, California
Woonsocket, Rhode Island
Yukon, Oklahoma



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EXECUTIVE SUMMARY

The use of public-private partnerships for water and wastewater services in the United States has been both praised and challenged. However, to date, neither point of view has been supported by statistical data. This report presents the results of 31 interviews with representatives of public entities that contract the day-to-day management, operation, and maintenance of their water and/or wastewater facilities to a private partner—in whole or in part. The facilities serve populations ranging from 4,000 to 1.2 million. The total population covered by the surveyed partnerships is 4.7 million.



Satisfaction with partnerships and partners is high:

- 50 percent of respondents rate overall satisfaction with the partnership as “extremely satisfied,” the highest possible ranking. No respondents rate overall satisfaction anything less than “satisfied.”
- 86 percent of municipality respondents that had a prior partnership awarded the contract to the incumbent.
- 50 percent of respondents rate the technical competence of their private partner as “outstanding.”
- 57 percent of respondents rate the quality of communication with their private partner as “outstanding.” No respondents rate the quality of communication anything less than “satisfactory.”

Impact on the environment, customers, and municipalities is positive:

- 74 percent of respondents rate regulatory compliance as better under the partnership than prior to the partnership.
- 93 percent of respondents note that customer complaints decreased or remained the same under the partnership.
- 92 percent of the municipalities that projected cost savings before entering the partnership achieved the projected savings. The other 8 percent are too early in the contract term to evaluate.
- 93 percent of respondents note that their private partners proactively participate in community activities above and beyond what is required in their contract.

Employees are generally satisfied:

- 21 percent of respondents rate employee satisfaction as “extremely satisfied.” All respondents rate employee satisfaction as at least “satisfied.”
- None of the respondents report an increase in employee grievances under the partnership. In fact, 64 percent report a decrease.
- 93 percent of respondents note that involuntary employee turnover either declined or remained the same under the partnership.
- 93 percent of respondents state that employees have more educational and training opportunities and more professional growth opportunities with their private partners than they did with the municipality.
- 87 percent of respondents report that employee salaries increased or remained the same under the partnership.
- 60 percent of respondents note that employee benefits increased or remained the same under the partnership.

The following sections of the report present detailed findings on general satisfaction with partnerships and the impact of partnerships on the environment, the customers, the municipality, and the employees.

This report begins with an overview of public-private partnerships, followed by a discussion of the respondents' general satisfaction with partnerships and their private partners. It then details the impacts of partnerships on customers, municipalities, employees, and the environment.

It is based on the results of a survey of representatives of public entities engaged in public-private partnerships. The Water Partnership Council believes this survey to be the first ever of U.S. municipalities and water districts that participate in public-private partnerships.

OVERVIEW OF PUBLIC-PRIVATE PARTNERSHIPS

The public entities that responded to this survey contract the day-to-day management, operation, and maintenance of their water or wastewater facilities to a private partner—in whole or in part. Some of the public entities also contract customer service functions and/or had their facilities designed and built by their private partner. Contracts typically range from 3 to 20 years.

A partnership is not privatization. Although the terms “public-private partnership” and “privatization” often are used interchangeably, they are not the same. Privatization involves the sale or transfer of ownership of public assets to the private sector. In sharp contrast, under all public-private partnerships, the public partner owns the assets, controls the management of the assets, and establishes user rates. The private partner operates and maintains the facility under a contract with the public partner.



A municipality will enter into a partnership to:

- **Ensure Water Quality and Achieve Regulatory Compliance.** A private partner's ability to secure new contracts rests to a significant degree on how well it manages its existing contracts. Therefore, private partners have powerful incentives to comply with federal and state water and wastewater quality standards. The private partner works closely with environmental stakeholders and regulators to operate the systems in compliance with stringent regulations at all times. The private partner takes responsibility for regulatory compliance through a service agreement with specific performance standards. In cases of permit violation, payment of penalties is generally the responsibility of the private partner, not the public entity.
- **Ensure Technical Expertise.** Water and wastewater operations are just a small part of the daily business a municipality must conduct. As a result, some municipalities, small and large alike, have trouble recruiting and retaining qualified water and wastewater plant operators and keeping abreast of new technologies and techniques. In contrast, private partners focus their businesses on the operation and maintenance of these facilities. This experience can translate into more efficiently run plants from a cost and regulatory perspective.
- **Increase Operating Efficiencies.** A public-private partnership often results in increased operating efficiencies and annual operating cost savings to the municipality, sometimes allowing municipalities to avoid or mitigate increases in customer water rates.

More than 2,800 partnerships exist today, and this number is growing. Last year, *Public Works Financing*¹, with additional data collected by the Water Partnership Council, tracked more than 1,200 municipal clients with partnerships in 2004. This was a 7 percent increase over 2003. And, this number represents only eight² of the firms that participate in public-private partnerships.

¹ *Public Works Financing*, March 2005, Volume 192.

² Companies that reported numbers include: Alliance Water, American Water, Aquarion Operating Services, OMI Inc., Severn Trent Services, Southwest Water Services Group, United Water, and Veolia Water North America.

SURVEY METHODOLOGY AND POPULATION

The survey was conducted by the Water Partnership Council staff. The Council staff performed telephone interviews from a standard questionnaire that included open- and closed-ended questions. Closed-ended questions asked for before-and-after comparisons. For example, “Is environmental stewardship better, equal, or worse today as compared to before the partnership?” A copy of the questionnaire is contained in Appendix A.

Council staff probed for additional information on the closed-ended questions. Member companies provided Council staff with the contact information for potential municipal respondents. The survey had a response rate of slightly more than 50 percent.

The survey instrument is comprehensive, and questioned public officials from both large and small communities. Each respondent’s facility is presently managed within a public-private partnership. Over time, the Council hopes that this survey will grow in scope and depth. It is a first effort at establishing objective information on partnerships and their strengths and weaknesses. As a body, the Council is committed to the continued improvement and efficacy of public-private partnerships as a mechanism for providing efficient, high-quality water services.

More than 30 municipal representatives participated in the telephone survey. Not everyone was able to answer every question because of his/her varied range of experience with the partnership. Response rates on individual questions ranged from a low of 11 responses to a high of 31.

The respondents represent partnerships that serve a mix of populations. Populations range from 4,000 to 1.2 million with an average population of approximately 143,000. The total population served by the partnerships is 4.7 million.

The survey covers operations of water and wastewater facilities:

- Twelve respondents partner for both water and wastewater operations
- Four respondents partner for water operations only
- Fourteen respondents partner for wastewater operations only
- One respondent partners only for the municipality’s collection and distribution system

In total, the survey represents 27 water plants and 27 wastewater plants. Some clients have more than one water or wastewater plant under contract.

The water and wastewater plants vary in size. The 27 water plants range in size from 0.5 million gallons per day (mgd) to 100 mgd. The average size of the water plants in the survey is 16.2 mgd. The 27 wastewater plants range in size from 0.75 mgd to 100 mgd. The average size of the wastewater plants in the survey is 13.7 mgd.

Contracts range from 3 to 20 years with potential extensions ranging from 0 to 10 years. The average contract length is 9.2 years, and the average potential extension is 4.8 years, when an option to extend exists. The contracts have been in effect for an average of 3.6 years and, not including extensions, an average of 6.2 years remains on these contracts.

The following sections first present data relating to overall satisfaction with partnerships and then detail the impact of partnerships on customers, municipalities, employees, and the environment.



GENERAL PARTNERSHIP SATISFACTION

Municipal officials see real and tangible benefits from partnerships. One of the most important benefits that municipal officials cite is having access to greater expertise than they would otherwise.

This expertise provides additional benefits. It alleviates one concern of municipalities—the municipality does not have to worry about the plant. Many respondents point out they do not think about the plants on a daily basis because they believe that their partner is acting in the municipality’s best interest. This frees up municipality staff time and resources.

Respondents note other benefits, including:

- Handling employee relations and benefits
- Providing the same level of service at a lower cost
- Protecting the operations budget
- Assuming liability and risk for environmental compliance
- Recruiting and retaining operators
- Purchasing materials in an expedited manner

These benefits translate into high levels of municipal satisfaction with the partnerships in general, and their partners specifically. Respondents rated their satisfaction with the partnership on a scale from one to five—with five being “extremely satisfied,” three being “satisfied,” and one being “not satisfied at all.” The average response was a 4.5, with 50 percent of respondents giving a 5; 47 percent, a 4; and 3 percent, a 3. Participants state that their satisfaction was based on responsiveness of the private partner, the fact that the private partner maintains regulatory compliance, and the fact that the private partner works in a seamless manner with the municipality.

Municipal officials also point out some areas that need to be improved. These include reducing backlogs for preventive maintenance as well as lowering prices, but neither was mentioned by more than one respondent.

Most of those interviewed were not newcomers to partnerships. Seventy percent of the municipalities surveyed had experience under a prior outsourcing contract.

Further, most of the municipalities plan to continue with a partnership when the current contract expires. Respondents rated their likelihood to outsource again on a scale of one to five—with five being “likely,” three being “possibly,” and one being “definitely will not.” The average response was a 4.6, with 76 percent of respondents giving a 5; 14 percent, a 4; 7 percent, a 3; and 3 percent, a 1.

Only one municipality will definitely not outsource again. This municipality purchased the plant from its current partner, which had formerly run the plant as a privatized operation. Part of the sales agreement entailed creating a partnership with the previous owner in order to educate the municipality on the operation of the plant. Before the contract was entered into, city officials indicated they would not continue with a partnership arrangement after the term of this special arrangement. Besides this anomaly, most municipalities surveyed will likely outsource again.

“A city like ours is just too small to garner the expertise that they [the private partner] have in this area because they operate other plants in the area. Small towns cannot hire that expertise—especially with the ever-changing rules and regulations.”

— JAMES CROSBY, CITY MANAGER
YUKON, OKLAHOMA

“The most beneficial attribute is that we get professional management from the operators [private partner].”

— CARLTON CURRY, DIRECTOR OF
CONTRACTS AND OPERATIONS
INDIANAPOLIS, INDIANA

“As a city, we dabble in everything. They are specialized. They have the expertise that far exceeds what we could provide our customers.”

— DEAN MAZZARELLA, MAYOR
LEOMINSTER, MASSACHUSETTS

“The singular focus on making the plant run is the most beneficial attribute of the partnership. There is also a joint vision that we all share. Really, working together as one staff to achieve both of our goals.”

— PAUL SHOENBERGER, CHIEF OF
ENGINEERING & OPERATIONS,
WEST BASIN MUNICIPAL WATER
DISTRICT, EL SEGUNDO, CALIFORNIA

“They are very responsive, and when there are problems, I usually do not have to follow up on it very closely. They take care of it.”

— RAY SHELL, P.E., UTILITY MANAGER
GLYNN COUNTY, GEORGIA

“We originally brought in a partner because the city lost its operators to other jobs, and the city realized that wastewater treatment plant operators fluctuate a lot, and it is difficult to get them. A partner could manage the staffing.”

— JOSE GIL, CITY ENGINEER/PUBLIC
WORKS DIRECTOR
DADE CITY, FLORIDA

“We were originally forced by court order to outsource. Our original premise was to take [responsibility for operations and maintenance] back after the contract ended, but we did not know where we would get expert operators from. And, we were happy with things the way they were going.”

— VINNY FURTADO, SUPERINTENDENT OF WASTEWATER DIVISION
NEW BEDFORD, MASSACHUSETTS

“This is the first time I have been involved with a utility contractor in my 30 years with state government. I have always spurned it in my past positions because I did not see any major benefit, and I perceived a loss of control, but this is a great relationship.”

— STEVE ROUTH, PUBLIC WORKS DIRECTOR
REIDSVILLE, NORTH CAROLINA

“I cannot say enough about the quality of service we have been given. I have been with the municipality for 25 years. I think it is one of the best operational decisions that the municipality has made in the past 15 years.”

— PATRICIA SPADE, BOROUGH MANAGER
BOYERTOWN, PENNSYLVANIA

“One benefit is the level of expertise we get from the top down—from their central office. It is like having a number of consultants permanently on staff.”

— NAN CROSSLAND, EXECUTIVE DIRECTOR
DEDHAM-WESTWOOD, MASSACHUSETTS

“The [private partner] has, at its disposal, engineering firms and an expertise at a higher level that can be drawn in as needed. There are resources there that we would not normally have.”

— DARRELL FONESCA, CITY MANAGER
DOS PALOS, CALIFORNIA

Survey respondents expressed their own views on the potential for continued outsourcing but noted that the final decision was usually up to the city council. However, in most cases, the city council accepts the recommendation of those who supervise the partnership and would be left to run the previously outsourced facilities if the municipality took back operations. These are the people that responded to the survey.

Not only are municipalities satisfied with the partnerships in general, but they also are satisfied with their current partners. In 86 percent of the cases where the current partnership was preceded by an outsourcing arrangement, the public partner awarded the contract to the incumbent private partner either through negotiation or through competitive bid. *Exhibit 1* shows how current partners were chosen when a partnership previously existed.

Exhibit 1

Current partnerships that were previously outsourced

Competed for and won by the incumbent	24%
Competed for and won by a new bidder	14%
Negotiated with the incumbent	62%

General satisfaction is often related to satisfaction with the technical competence of the private partner and the quality of communication between the private and public partner. Technical competence is essential to running the plant efficiently. Communication with the city is imperative to ensuring an effective working relationship between the public and private partner.

Respondents rated technical competence on a scale of one to five—with five being “outstanding,” three being “satisfactory,” and one being “poor.” The average rating was 4.4, with 50 percent of respondents rating their private partner a 5; 43 percent, a 4; and 3 percent, a 2. Specific reasons mentioned by respondents for their high ratings include:

- The private partner found the wastewater treatment odor problems and fixed them
- The private partner is able to bring in outside expertise and focus on training for the employees
- The private partner keeps the municipality in compliance

Many respondents report the benefit of leveraging the expertise of employees throughout the company. One respondent even congratulated its private partner on keeping the plant running efficiently and in compliance while the plant was under construction and being expanded.

Respondents also point out several areas where their private partners could improve their technical competence in order to get an even higher rating. One municipality points out that staffing needs to be improved during peak storm periods, specifically during hurricanes. Another believes that there is too much operator turnover at the facility.

One municipality rates its private partner’s expertise as less than satisfactory. This respondent did so because the private partner did not have a project team in place when the contract was initiated. The private partner had to locate and hire operators. In doing so, they were unable to hire the best qualified operators. However, the respondent believes that the operators are now up to speed and are very competent.

Communication between the private partner and the municipality also is highly rated by respondents. Respondents rated the quality of communication on a scale of one to five—with five being “outstanding,” three being “satisfactory,” and one being “poor.” On average, respondents rate the quality of communication as 4.5, with 57 percent of respondents rating their private partner a 5; 33 percent, a 4; and 10 percent, a 3. Respondents rate communication high because they and their private partners hold regular meetings, and the private partners inform the municipality of any potential issues before they become problems. Some respondents mention areas for improvement. One respondent would like to hear information sooner than they currently do, and another would like the private partner to better communicate its role to the residents of the municipality.

Public Works Financing’s data confirms the survey results that municipalities are very satisfied with both the partnerships and their partners. *Public Works Financing*’s latest annual outsourcing survey³, with additional data collected by Water Partnership Council staff, shows that more than 92 percent of the 560 government contracts up for renewal in 2004 were again outsourced either to the incumbent or to another market participant. Almost 91 percent of contracts up for renewal were won by the incumbent, and slightly more than 2 percent were won by another market participant. Less than 6 percent of systems up for renewal reverted back to the municipality, and less than 2 percent were not renewed for other reasons.

IMPACT ON THE ENVIRONMENT

One benefit of partnerships cited by respondents is the positive impact on the environment. In fact, many respondents cite improving environmental stewardship as the main reason they enter into a partnership. This survey uses regulatory compliance to measure environmental stewardship.

Municipalities work with their private partners to bring the municipality back into regulatory compliance efficiently and cost-effectively. In fact, 74 percent of the respondents mention that regulatory compliance is better under the partnerships than before the partnerships (see *Exhibit 2*). In many cases, the private partners perform better than the regulations require. In some cases municipalities received awards for their outstanding level of regulatory compliance.

Exhibit 2 shows that regulatory compliance deteriorated in one municipality. In this case the municipal official indicated that ongoing expansion of the plant made consistent compliance difficult.

Exhibit 2
Current regulatory compliance
as compared to before the partnership

Better	74%
Equal	22%
Worse	4%

³ *Public Works Financing*, March 2005, Volume 192.

“Communication is open, free flowing, and honest. At any time I can call their project general manager or the janitor if I feel he can answer the question I have.”

— JOHN JANKOWSKI, CONTRACT
COMPLIANCE OFFICER
MILWAUKEE, WISCONSIN

“Much of the push was because of some compliance issues with the wastewater treatment plant that the city could not resolve. We hired them for the expertise that they have to run our plant and to keep us in compliance with regulations that are getting more difficult every day.”

— STEVE EDDY, CITY MANAGER
MOORE, OKLAHOMA

“What they do well is exceed their permit requirements. They come in under what the permit allows.”

— DAN COODY, MAYOR
FAYETTEVILLE, ARKANSAS

“Before we brought our partner in, we had 10 years of non-compliance. We have not been out of compliance since. We have received awards for our compliance from Save the Bay.”

— SUSAN MENARD, MAYOR
WOONSOCKET, RHODE ISLAND

“We received an award for our environmental compliance.”

— VANESSA ROW, FINANCE OFFICER
KEYSTONE, SOUTH DAKOTA

“We are in much better compliance now than we ever were as a public entity.”

— JAMES BURNETT, MAYOR
FREEPORT, TEXAS

“I see a lot more communication between our partner and the regulatory agencies. Our partner communicates the importance of having communication with the regulators to its operators.”

— JOSE GIL, CITY ENGINEER/PUBLIC WORKS DIRECTOR
DADE CITY, FLORIDA

“Compliance is a huge issue—trying to comply with regulations that change by the minute is impossible for the city to do. It is unfair to the public to try to masquerade that the city itself can keep up on all these things.”

— DEAN MAZZARELLA, MAYOR
LEOMINSTER, MASSACHUSETTS

“Odor complaints went down tremendously.”

— SUSAN MENARD, MAYOR
WOONSOCKET, RHODE ISLAND

Private partners are able to excel in the area of regulatory compliance because they have the technical expertise and because they develop strong relationships with regulators. Private partners know what the regulations are, when they will change, and what to do if there is a problem.

Many respondents mention that environmental regulations seem to change on a daily basis, and that they find it overwhelming to try to keep up with these changes. On the other hand, they see private partners as being in the business of tracking regulations, with trained personnel to do so. Private partners are proactive versus reactive in how they track and manage regulations.

In addition, the private partner has a large incentive to be in compliance—if a plant

is out of compliance, the private partner is often responsible for the fines. Respondents believe that this focus on environmental compliance is coming straight down from the highest levels of their private partner companies—that it is something ingrained in the cultures of these companies.

IMPACT ON CUSTOMERS

Partnerships are meant to be seamless to the customer. Nevertheless, partnerships often benefit the customer, or at the least, have no negative impact on the customer.

This report uses three criteria to evaluate the impact on customers. The first is the frequency of customer complaints in comparison to before the partnership was initiated. The second is how customer rates have changed during the partnership. The third is whether the private partner makes a positive contribution to the community—and ultimately the customer—above and beyond what is mandated in the contract.

In 37 percent of the partnerships surveyed, customer complaints decreased (see *Exhibit 3*). Most of these are related to reducing wastewater treatment odors. In most cases, the number of customer complaints remained the same. In two cases, the frequency of customer complaints increased after the partnership began. One of these cases is the result of the wastewater plant undergoing expansion. Often, construction work negatively impacts operations, which leads to increased odors for a short amount of time. In general, however, customer complaints remained the same or decreased.

One respondent lauds his private partner for locating the areas that were causing odor problems and fixing them. Another respondent has so much faith in his private partner that the municipality wants to expand the scope of the contract to cover other odor-causing areas that are run by the municipality. This respondent believes that his private partner will be able to help the municipality reduce the odor problems and, therefore, the number of complaints.

Exhibit 3

Current frequency of customer complaints as compared to before the partnership

More	7%
Equal	56%
Less	37%

A second consumer impact is customer rates. Water and sewer rate changes are not determined by the private partner; the municipality sets the rates. In some cases, the municipality can keep rates down due to the cost savings that the partner achieves. However, for the most part, respondents thought their partnerships had no impact on rates. Seventy-five percent of the municipalities surveyed had some change in rates during the partnership. Seventy-six percent of those respondents thought the rate change would have been the same under city operation (see *Exhibit 4*).

Exhibit 4

How rate change compares to pre-partnership projections

More	6%
Equal	76%
Less	18%

Three respondents believe that their partnerships resulted in smaller rate increases than would otherwise have been implemented. One of these municipalities bases this on the city’s ability to run with a leaner staff under its private partner, saving the ratepayers money.

One municipality notes that its rates increased under the partnership more than they otherwise would have. This respondent believes that the municipality could run the operations more efficiently. However, this same respondent attributes the municipality’s strong record of regulatory compliance to its private partner.

A third consumer impact involves private partner activities beyond the operation and maintenance of the facilities. In many communities, private partners make a contribution to the community beyond what is required in their contracts. Ninety-three percent of respondents note that their private partners actively participate in community activities. Areas where the private partner gets involved include the following:

- Giving tours
- Developing curricula for local schools
- Hosting stream cleanups
- Donating to charitable causes and events
- Providing bottled water for events
- Sponsoring employee and community picnics

Two municipalities believe that their partners do not go above and beyond their contracts in giving back to the community. One of these does not want its private partner to do so because the municipality believes that the cost of doing so will be passed back to the municipality. In this case, however, the contract does mandate a college scholarship to be provided by the private partner. The other municipality is pleased with the services provided by its private partner and is not disappointed that the private partner has not been more involved with the community.

“With a private contractor managing the facilities for us, we do not need as many oversight positions at Borough Hall. That has been a cost savings to the citizens and users.”

— PATRICIA SPADE,
BOROUGH MANAGER
BOYERTOWN, PENNSYLVANIA

“Cost savings were achieved and exceeded. We reduced the rates [user fees] by 15.6 percent in the first year because our partner reduced our costs so greatly.”

— JOHN JANKOWSKI, CONTRACT COMPLIANCE OFFICER
MILWAUKEE, WISCONSIN

“By entering into a partnership, we were able to freeze rates for five years. We avoided a 32 percent rate increase.”

— CARLTON CURRY, DIRECTOR OF CONTRACTS AND OPERATIONS
INDIANAPOLIS, INDIANA

“They participate in other groups in town just like they are employees of the town even though they are an independent contractor.”

— JOHN MINTA,
COUNCIL PRESIDENT
CLARKSVILLE, INDIANA

“They have a very nice program working with local schools. They also have a couple of nice programs where they get the public at large involved in cleanups such as ‘beach sweeps.’”

— JOHN JANKOWSKI, CONTRACT COMPLIANCE OFFICER
MILWAUKEE, WISCONSIN

IMPACT ON MUNICIPALITIES

The overview of this report identified a variety of reasons why municipalities enter into partnerships. One of these reasons is cost savings—many municipalities believe that a private partner can be more efficient in running a plant. However, this study has shown that, although many municipalities achieve cost savings, this may not be the primary driver.

Only 46 percent of the surveyed municipalities projected cost savings before entering the partnership. Ninety-two percent of those respondents note that projected cost savings were achieved, and the other 8 percent note that they are too early in the contract term to know whether the costs savings will be achieved. Savings ranged from 5 percent to 25 percent. Respondents mention that their private partners were able to keep costs down by:

- Leveraging their size and making high-volume purchases for supplies such as chemicals
- Running the plants with fewer personnel
- Investing in technology
- Reducing overhead costs
- Performing preventive maintenance

What about the other 54 percent of municipalities that did not project cost savings when they entered into partnerships? Although those municipalities may be receiving cost savings, they also may have entered into the partnership because they were out of environmental compliance or because the municipality did not have the appropriate personnel.

All of those municipalities that did not project costs savings report that regulatory compliance was equal (17 percent) or better (83 percent) and that their partners make a positive contribution to the community above what is required in the contract (100 percent). One of the respondents that did not project cost savings entered into the partnership because the municipality had an accident that cost lives. At that time, the municipality realized that it could not safely run all of its operations.

In summary, the survey results show that municipalities enter into partnerships for more than just financial considerations.

IMPACT ON EMPLOYEES

Private operation typically results in better educational and training opportunities for employees. For both the private partner and the public facility owner, enhanced training translates to better-run, more efficient, and environmentally sound facilities. For the employees, enhanced training means more opportunities for professional growth and advancement.

Respondents mention that, in general, employees are very satisfied with their partnerships. Initially, employees are apprehensive about being an employee of a private firm as opposed to working as a municipal employee. They fear job loss, reduced salaries and benefits, and loss of union representation. In 29 percent of the partnerships surveyed, the municipality required contractually that the private partner increase or maintain salary and benefit levels.

“I do not think we would be seeing the kinds of savings they [the private partner] are realizing for us without them because of the volume of their purchases.”

— PATRICIA SPADE,
BOROUGH MANAGER
BOYERTOWN, PENNSYLVANIA

In many cases, the employees have the option of staying with the city, taking a buyout, or being hired by the private partner. Respondents indicate that the vast majority who had these options chose to go to the private partner. They also note that morale and satisfaction increase as employees get comfortable with the partnership and their new employers. One even notes that an opportunity arose for the employees to return to city employment well into the partnership, and the employees chose not to do so.

Respondents rate average employee satisfaction as a 4 on a scale of one to five—with five being “extremely satisfied,” three being “satisfied,” and one being “not satisfied at all.” The average response was a 4, with 21 percent of respondents rating employee satisfaction a 5; 58 percent, a 4; and 21 percent, a 3. No one rates employees as not being satisfied at all.

Some municipal employees are represented by unions. Thirty-eight percent of the municipalities surveyed had union representation prior to the partnership. Twenty-one percent currently have union representation under the partnership.

Employee grievances are another measure of employee satisfaction. None of the respondents who still have contact with employees report an increase in employee grievances under the partnership (see *Exhibit 5*). In fact, most report a decrease.

Exhibit 5

Current number of employee grievances as compared to before the partnership

More	0%
Equal	36%
Fewer	64%

Of those that were previously unionized and are no longer, 50 percent say there are fewer grievances, and the other 50 percent report that the number of grievances remained the same.

In many cases, at the start of the partnership, employees were concerned that they would lose their jobs due to a private partner’s efforts to make money by reducing staff costs. Involuntary employee turnover is a measure of whether private partners “clean house” once the partnership begins. In 33 percent of the cases, involuntary employee turnover declined under the partnership (see *Exhibit 6*). In the one case where involuntary employee turnover increased, the respondent notes that the private partner needed to bring in more qualified staff. The number of positions did not change, just the people who were in those positions.

Exhibit 6

Current involuntary employee turnover as compared to before the partnership

More	7%
Equal	60%
Less	33%

“We [the city] have gone through some tough times since then [the beginning of the partnership], so we probably would have ended up laying off somebody, and they ended up being able to keep their jobs.”

— DARRELL FONSECA,
CITY MANAGER
DOS PALOS, CALIFORNIA

“It is such a large organization that the employees can move and go wherever the opportunities present themselves.”

— JOHN MINTA,
COUNCIL PRESIDENT
CLARKSVILLE, INDIANA

“A private company does a much better job of training its staff than a municipality does in general terms. I know they are doing a much better job than we were doing.”

— PATRICIA SPADE,
BOROUGH MANAGER
BOYERTOWN, PENNSYLVANIA

“We were a little concerned about that [employee salaries decreasing], but actually the salaries went up a little bit, and they got some additional benefits.”

— JAMES BURNETT, MAYOR
FREEPORT, TEXAS

Exhibit 7

Current education and training opportunities as compared to before the partnership

More	93%
Equal	7%
Fewer	0%

Exhibit 8

Current professional development and advancement opportunities as compared to before the partnership

More	93%
Equal	7%
Fewer	0%

Exhibit 9

Current financial compensation as compared to before the partnership

More	53%
Equal	34%
Less	13%

Exhibit 10

Current employee benefits as compared to before the partnership

More	20%
Equal	40%
Fewer	40%

Multiple respondents note that the private partners were able to achieve efficient staffing levels by not replacing individuals who left voluntarily.

Employees are always looking for ways to increase their skills and education and to move into positions that offer more responsibility or higher salaries. Ninety-three percent of respondents state that employees have more educational and training opportunities with their private partners than they did with the municipality (see *Exhibit 7*). Furthermore, 93 percent indicate employees have more professional growth and advancement opportunities as employees of the private partner (see *Exhibit 8*).

Respondents note that their private partners are better at instituting structured training plans and programs. In addition, respondents state that the private partners are able to offer job opportunities in other plants throughout the country. This allows operators to advance when opportunities are not available in a given municipality.

Financial compensation and benefits are crucial to employee satisfaction. Respondents note that in 53 percent of the cases, employees receive higher salaries under the partnership (see *Exhibit 9*). Respondents believe that this is a result of a private partner’s ability to offer bonuses or profit-sharing.

In two cases, the employees receive lower salaries under the partnership. In one of these cases, employees are leaving the partner to make more money at other plants with other private partners or municipalities. The respondent notes that this may be a result of the employees becoming more marketable due to the reputation of the private partner and the training the private partner provides. In the other case, employees are trying to return to the municipality, which pays very competitive salaries in relation to other employers in the area.

Of the municipalities that did not contractually require maintaining or increasing financial compensation, respondents note that in 33 percent of the cases financial compensation increased, in 11 percent of the cases it decreased, and in 56 percent of the cases it remained the same.

Benefits under partnerships do not fare as well as financial compensation, training, and advancement opportunities. Respondents report an increase in benefits in only 20 percent of the cases (see *Exhibit 10*). In 40 percent of the cases, benefits decreased. In most cases where there was a decrease, financial compensation was greater under the partnership. In two cases, however, financial compensation and employee benefits were both worse under the partnership.

Of the municipalities that did not contractually require maintaining or increasing employee benefits, respondents note that in 23 percent of the cases benefits increased, in 33 percent of the cases they decreased, and in 44 percent of the cases they remained the same.

With the exception of benefits, employees of partnerships tend to benefit from better training, advancement opportunities, and financial compensation.

APPENDIX A — Survey Instrument

The following is the telephone survey questionnaire.

1. What types of operations does the contract cover?
 - a. Water treatment
 - b. Wastewater treatment
 - c. Water and wastewater treatment
 - d. Other:
2. What is the size of the facility(ies) in mgd? _____ mgd
3. What is the length of the collection/distribution system in miles of sewer or water lines?
_____ miles
4. What population is served by this facility(ies)? _____ people
5. What is the duration of the contract? _____ years
6. When did private operations commence under the current contract?
7. Were the operations of this facility (or facilities) outsourced prior to this contract?
 - a. Yes
 - b. No
8. If yes, was it
 - a. Re-competed and won by the incumbent private partner
 - b. Re-competed and won by a new bidder
 - c. Renewed without competition to the incumbent private partner
9. What are your general comments on employee satisfaction and opportunities before and after the partnership?
Comments: _____
10. Was there union representation while the facility was under public management?
 - a. Yes
 - b. No
11. Is there currently union representation?
 - a. Yes
 - b. No
12. What is the current frequency of employee grievances?
 - a. More than before the partnership
 - b. Equal to before the partnership
 - c. Less than before the partnership

Comments: _____

13. How does involuntary employee turnover compare to before the partnership?
- a. More than before the partnership
 - b. Equal to before the partnership
 - c. Less than before the partnership
- Comments: _____
14. How do educational and training opportunities compare to before the partnership?
- a. More than before the partnership
 - b. Equal to before the partnership
 - c. Less than before the partnership
- Comments: _____
15. How do professional growth and advancement opportunities compare to before the partnership?
- a. More than before the partnership
 - b. Equal to before the partnership
 - c. Less than before the partnership
- Comments: _____
16. How does employee financial compensation compare to before the partnership?
- a. More than before the partnership
 - b. Equal to before the partnership
 - c. Less than before the partnership
- Comments: _____
17. How do employee benefits compare to before the partnership?
- a. More than before the partnership
 - b. Equal to before the partnership
 - c. Less than before the partnership
- Comments: _____
18. Was an increase in benefits and/or financial compensation criterion used for evaluating competitive proposals during the procurement process?
- a. Yes
 - b. No
19. How would you judge overall employee satisfaction with the private partnership on a scale of 1 to 5 with 5 being extremely satisfied, 3 being satisfied, and 1 being not satisfied at all?
- 1 2 3 4 5
- Comments: _____

29. If yes, how does this change in rates compare to what was projected prior to the partnership?

- a. More than was projected before the partnership
- b. Equal to what was projected before the partnership
- c. Less than what was projected before the partnership

Comments: _____

For this section of questions, please answer on a scale of 1 to 5 with 5 being outstanding, 3 being satisfactory, and 1 being poor.

30. Technical performance and capabilities of your private partner 1 2 3 4 5

Comments: _____

31. Communications between your partner and the city 1 2 3 4 5

Comments: _____

32. What is the overall satisfaction of the public agency with the partnership, with 5 being extremely satisfied, 3 being satisfied, and 1 being not satisfied at all? Please feel free to provide additional comments.

1 2 3 4 5

Comments: _____

33. What is the potential that the services currently provided by the private partner will continue to be outsourced, with 5 being likely, 3 being possibly, and 1 being definitely not?

1 2 3 4 5

Comments: _____

34. What do you consider the most beneficial attribute(s) of the partnership?

Comments: _____

35. Do you have any final comments you would like to share about your partner or partnership?

Comments: _____

May I consider this interview to be on the record?

On Off

Would you be willing to allow me to quote you?

Yes No



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