



City of Phoenix

OFFICE OF THE CITY MANAGER

November 14, 2011

Phoenix 2009



Todd Sanders
President
Greater Phoenix Chamber of Commerce
201 North Central Avenue, 27th Floor
Phoenix, AZ 85073

Re: Phoenix Outsourcing Levels

Dear Mr. Sanders:

Earlier this year the city of Phoenix compiled information about services that it “outsources,” or contracts out to the private sector. Since then, with the help of the City’s public/private Innovation and Efficiency Task Force, we have completed an in-depth analysis of citywide outsourcing levels. We wanted you to have some of the highlights of our analysis and offer to answer any questions you have about this issue. In summary:

- In FY 11-12, City departments will outsource more than \$477 million in services in more than 340 areas, representing an increase of 39 percent (\$133 million) over the past six years.
- During this time, the number of full-time, non-public safety positions decreased by more than 12 percent (1,203 positions)

Fiscal Year	2005-06	2010-11	2011-12
Total Outsourced	\$344 M	\$434 M	\$477 M
% change from FY 05-06	-	26%	39%
% change from FY 10-11	-	-	10%

- Not included in these figures are the costs of additional services for A) architectural, engineering, project management, construction, inspection and testing services as part of the city’s \$1.3 billion (FY 2011-12) Capital Improvement Program; and B) “expense-neutral” services such as advertising, catering, concessions, property management, operating agreements.

Our analysis also allows us to answer questions about the nature of the outsourced services, and which departments outsource more or less. The City, together with the Innovation and Efficiency Task Force, are using the data to evaluate additional areas for outsourcing, as well as services that are more efficiently delivered in-house.

<i>FY 2011-12 Outsourcing Levels</i>		
Fund	Total Outsourced	% of Operating Budget
General Fund Departments	\$320 M	18%
Enterprise Departments	\$157 M	23%
Non-Public Safety	\$450 M	29%
Public Safety	\$27 M	3%

During the legislative session earlier this year a consensus emerged that most “general government” and public safety/criminal justice services are not appropriate for outsourcing. The final legislation ultimately exempted most of those services from its mandates. Other services that have private sector equivalents might be more appropriate to contract out, depending on many factors such as the highly regulated nature of operations (like water treatment and aviation) or the potential impact of privatization on tax exempt bonds. Our analysis showed that:

- General Government and Public Safety / Criminal Justice programs account for 14 percent of all services outsourced; and
- 86 percent of outsourced services are within the Transportation, Community Development, Community Enrichment and Environmental Services programs.

<i>FY 2011-12 Outsourcing Levels by Program</i>		
City Program	Total Outsourced	% of Outsourcing
General Government Auditor, Budget and Research, City Clerk, City Council, City Manager, Equal Opportunity, Finance, Government Relations, Human Resources, Information Technology, Law, Mayor, Public Information	\$40 M	8%
Public Safety & Criminal Justice Emergency Management, Fire, Police, City Prosecutor, Municipal Court, Public Defender	\$ 27 M	6%
Total	\$67 M	14%
Transportation Aviation, Public Transit, Street Transportation	\$ 233 M	49%
Community Development Community and Economic Development, Housing, Neighborhood Services, Planning and Development	\$ 49 M	10%
Community Enrichment Arts and Culture, Convention Center, Human Services Library, Parks and Recreation	\$ 36M	8%

Environmental Services Environmental Programs, Public Works, Water Services	\$ 92 M	19%
Total	\$ 410 M	86%

As all these data demonstrate, that Phoenix continues to evaluate and outsource services to maximize efficiency while maintaining the highest quality public service.

Recent additional outsourcing initiatives include:

- Outsourcing the City's telephone and data network, valued at approximately \$1.4 million annually
- Outsourcing technology and communication services at the Phoenix Convention Center, thereby saving nearly \$194,000 annually and generating approximately \$250,000 per year in additional revenues
- Outsourcing the City's Reserve-A-Ride program, valued at over \$3.2 million annually

Beyond these initiatives, several additional rightsourcing proposals are under review and scheduled for presentation to the Mayor and City Council in the near future.

Description	Department	Date
Landscaping Service for libraries, police and fire stations	Parks and Recreation	November 2011
Solid Waste Contained Collections Managed Competition for Service Area F	Public Works	November 2011
Tire Service Repair	Public Works	November 2011
Transfer Station Equipment Maintenance	Public Works	November 2011
Lube Services for Solid Waste Refuse Trucks	Public Works	November 2011
Auto Parts Provision at Police Precinct Briefing Stations	Public Works	November 2011
Janitorial Service for Community Centers	Parks and Recreation	January 2012
Delinquent Tax Collections Services	Finance	January 2012

Landscaping Service for Aviation	Parks and Recreation	February 2012
Legal Services	Retirement	March 2012
Senior Meals Program	Human Services	April 2012

We hope this information is helpful to you. Again, we are available to answer any questions you have about this issue or any of the City's innovation and efficiency initiatives.

Sincerely,



David Cavazos
City Manager



Bill Gates
Councilman, District 3
Chairman, Finance, Innovation and
Efficiency Subcommittee