



FULTON COUNTY TAXPAYERS FOUNDATION

501©(3) Non-Profit Advocate of Lower Property Taxes in Atlanta/Fulton

June 2008

Should Atlanta Reconsider Its Cancelled Contract With United Water? *The Cost Savings To The Taxpayers Was \$26.6 Million Annually!*

In 1999, the City of Atlanta privatized its Water Operations and Management with a 20-year contract with United Water. The annual fee was \$21.4 million compared to the City's cost of \$48 million, a savings to the taxpayers of \$26.6 million annually! Although United Water charged the City their extra costs caused by the aging water infrastructure, an independent audit in 2003 indicated that during the last year of operation, United Water saved the City "over \$10 million."

On January 24, 2003, Mayor Franklin cancelled the contract with United Water, in spite of the fact that United Water met or exceeded performance target. Here are the facts:

- United Water received the Gold Award from the Georgia Water & Pollution Association for "complete and consistent Safe Drinking Water Act compliance".
- United Water achieved a 12-month rolling average bill collection of 100%.

- United Water reduced field activity work orders from 14,000 to 1,000.
- United Water achieved 206% of Maintenance Goals.

According to Geoffrey Segal, Director of Privatization & Governmental Reform Policy, Reason Foundation:

"While United Water was far from perfect, they completed more repairs and quickly rehabilitated various components of Atlanta's water infrastructure than was ever completed under municipal operation. For example, the contract called for upwards of 4,500 fire hydrant repairs annually. United Water completed 4,000 a year, better than the 3,000 municipal operations completed before privatization when the City budget was \$48 million compared to the contract fee of \$21.4"

The action by Mayor Franklin was completely against the national trend. According to the U.S. Government, Public Works Financing, over 90% of governments choose to continue privatization at renewal time.

Officers:

President: John S. Sherman

Vice President: Wesley E. Cantrell

Secretary: Lynda Wolfe Smith

Treasurer: William E. Lane

Board Chairman:

Joseph L. Kelly, Esquire

Barbara Payne, Executive Director

Board of Directors

Harold J. (Jay) Bowen, III, President

Bowen Hanes & Company

Wesley E. Cantrell, CEO (Retired)

Lanier Worldwide, Inc.

Larry R. Ellis, General

U. S. Army (Retired)

Marc Kanne, CPA

Habif, Aragefi & Wynne

Joseph L. Kelly, Esquire

Schulten Ward & Turner

William E. Lane, President

Hyde Lane

Seymour S. Lavine, Director

Emory Academy for Retired Professionals

Joseph M. A. Ledlie, President

The Ledlie Group

Glen P. Robinson, Jr., Founder

Scientific Atlanta

John S. Sherman, Former Mayor

Bal Harbour, FL

Lynda Wolfe Smith, President (Retired)

Atlanta Association of Educators

Fulton County

Taxpayers Foundation

309 E Paces Ferry Road, NE, Suite 607

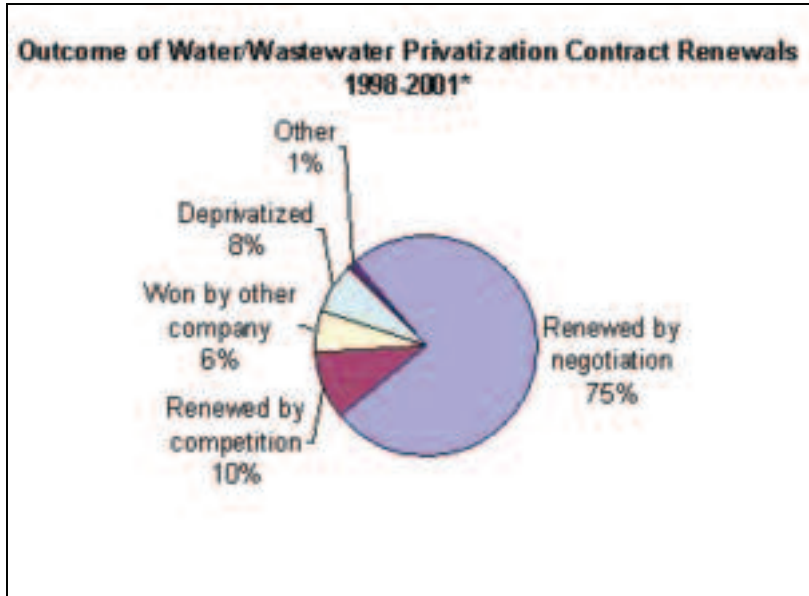
Atlanta, Georgia 30305

Phone: (404) 869-6066

Fax: (404) 869-6101

Email: fcff1@bellsouth.net

Website: <http://fcff.org>



Source: Public Works Financing U.S. Government

*A total of 489 privatization contracts were up for renewal during this period.

According to Geoffrey Segal, "The City of Atlanta is at a crossroads. It has abandoned the partnership with United Water and has brought operations back in-house. Is there any indication that in-house operations are better than they were before when privatization was sought to fix the system? Rather, City officials need to think long term. Atlanta's water and wastewater systems need dramatic infrastructure improvements, while the City remains fiscally strapped. Atlanta cannot afford NOT to renew the partnership – the City can't afford to leave the great future benefits on the table. The contract needs to be changed or fixed to make this a success."

Here are a few steps recommended by Geoffrey Segal:

1. In order to best serve the City, United Water needs to be paid 10%-15% more. Even after additional payments, the City will still be saving a tremendous amount of money compared to current in-house operations.
2. The two sides need to come to agreement on each other's expectations.
3. Once there is agreement on the expectation of the contract, there needs to be more, better, open communication. The cornerstone of the partnership is based on trust and communication.

What Are The Comments of United Water?

In a memo dated November 5, 2003, Patrick R. Cairo, CEO, United Water, stated:

“In order for us to continue to operate at the high level of performance expected by the Franklin Administration (beyond the original contract levels), United Water would have to receive an increase of 10%-15% over the \$21.4 million base fee. In spite of Mayor Franklin’s ultimate decision, I believe United Water has shown that we are capable of operating the system at the very high level of performance. To achieve this high degree of performance, we spent almost \$10 million of our own funds in 2002-2003.”

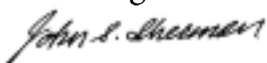
The CEO of United Water, Patrick R. Cairo, concludes his memo by listing a few of the problems encountered and his recommendations to correct the problems:

- For the Campbell Administration, cost rather than quality was the sole motivator for the project.
- Atlanta’s record-keeping was unusually poor and caused enormous conflicts later over contract interpretations.
- Customer performance goals were poorly spelled-out in the contract.
- In a long term contract of 20-years, assurance must exist that someone – either the City or the private firm – will replace sections of the water infrastructure that have outlived their useful life.
- As opposed to most cities where a new Contract Administrator is brought in after a partnership is implemented, Atlanta chose to use the old team which had failed to operate the system properly when they were in charge.
- Contracts are never perfect. It is therefore vitally important that both parties communicate regularly on step-wise goals which must be met.

CONCLUSION

Even with a 10% increase to United Water, the taxpayers of Atlanta would still be saving \$24.5 million annually. It behooves the Mayor and City Council to reconsider – without delay – the renewal of the contract with United Water. The basic principles mentioned above should apply. The basic principles are important because they should apply to every future contract for the services mentioned in the Turnaround Plan: Residential Waste Collection, Fleet Management & Maintenance, Information Services, Airport Management & Operations, Fire Services, Policing (non-sworn), Recreational Facilities & Operation, Park Landscaping & Maintenance, Road Maintenance, Wastewater Treatment and Water.

Kind regards,



John S. Sherman, President

Send Your Letter TODAY!

Please send your letter via USPS or email Mayor Franklin
mayorfranklin@atlantaga.gov

The Honorable Mayor Shirley Franklin
City of Atlanta
55 Trinity Avenue
Atlanta, GA 30303

Dear Mayor Franklin,

I would like to respectfully request that you reconsider renewing the City's contract with United Water. We need to consider all options of marketization and outsourcing in order to create a budget surplus. The Turnaround Plan by Bain and Company recommended marketization and outsourcing.

Here are some facts we hope you will consider:

- **United Water received the Gold Award from the Georgia Water & Pollution Association for complete and consistent Safe Drinking Water Act compliance.**
- **United Water achieved a 12-month rolling average bill collection of 100%.**
- **United Water reduced field activity work orders from 14,000 to 1,000.**
- **United Water achieved 206% of Maintenance Goals.**

Please consider negotiating without delay the renewal of the contract with Untied Water. Even with a 10% increase to United Water, the taxpayers of Atlanta would still be saving \$24.5 million annually!

Sincerely,

Name _____

Please detach here

*Join the Fight To Bring Better Government
to Atlanta and Fulton County!*

I enclose my annual membership of:

\$50 Family ____ \$100 Patron ____ \$200 Corporate Member ____ \$500 Corporate Sponsor ____

In addition, I enclose a **tax-deductible** contribution of: \$100____ \$500____ Other____

If you prefer, you can charge your membership or a donation online at www.fctf.org

Name _____

Address _____

Phone _____

E-mail _____