Privatization Case Study

The Objective

Complicating the budget woes of cities across the state, local infrastructure is in disrepair due to years of neglect and under funding. The challenge is to persuade local officials against the privatization of public services and halt the possible lease of the City Water Works to a foreign company.

Background

In the midst of the Great Recession, city budgets plunged into the red, some teetering on bankruptcy. After years of neglect even during the “good times”, local roads and water plants are now in need of repair. In response to these serious budget shortfalls, the City Comptroller proposed privatizing the city-owned Water Works system through a 55-year lease of all the water operations, a form of a public-private partnership with a French company. According to estimates, the deal will result in $150 million to $200 million in desperately needed upfront cash for the city. AFSCME represents the 110 workers who would face layoffs as a result of the privatization and lease.

Local Officials and Politics

The City Council is comprised of 9 Councilmembers from districts in the city. In the last election, labor-backed candidates won their elections. Now, 5 of the 9 Councilmembers are Democratic. However, the Mayor, campaigning on privatization and austerity-like budget cuts, handily won his seat. Additionally, staunch fiscal conservatives defeated moderate state legislators in the 2012 election, although both the state House and Senate narrowly remain in Democratic control. In the newspapers recently, municipal leaders claim that they are expecting deeper cuts to local aid when the legislative session begins. Both state Senators from the area are Democratic. However, the state house delegation from the area is comprised of 3 Republicans and 1 Democrat.

Labor

Labor has a long history in the city and the state, although the recent closure of large plants has meant a significant drop in private sector unionism. The Laborers (LiUNA) are the largest union in the state and the largest local is in the city. Although density varies, other strong unions in the state include AFSCME, SEIU, NEA, CWA, IAFF, and IBT.

Alliances and Coalitions

The Workers Alliance is the largest labor coalition in state history, comprised of nearly 200 local unions including independent associations. The Alliance was formed in 2008, and membership includes faith-based groups, local business owners, patient rights advocates, labor-retiree chapters and concerned citizens.

Other Factors

Under state law, a municipality facing financial distress may be subject to receivership by a Budget Commission at the request of the local council executive or by directive from the Director of Revenue. The Budget Commission is comprised of 3 appointees from the Director of Revenue and 2 officials from the city. The Budget Commission is authorized to oversee and implement all aspects of the city budget, including revenues, cuts, and contracts for goods and services including privatization of work or public-private partnership agreements. All financial and fiscal actions of the city are subject to review, approval or disapproval by the Commission. Only the Director of the Revenue can abolish the commission.