





# Government as a Platform

## A Next-Generation Take on Coordination and Cooperation

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Local governments are commonly fragmented, broken into many, often overlapping jurisdictions. Because local governments spend a great deal of money in aggregate, it is reasonable to ask if the public interest might be better served by enhanced coordination of government at the local level.

In this article, we examine this idea through an approach born of the information age era: government as a platform. It's an approach that can advance innovation while offering financial and operational advantages for the typical, day-to-day services that local governments operate.

We'll use the following criteria to evaluate the financial potential of government as a platform:

**Economization:** Less money is spent in total (assuming that too much was being spent before).

**Efficiency:** The “per unit” cost of public services declines.

**Value:** The benefit created by each dollar of public money spent goes up.

We'll conduct our examination through the lens of GFOA's *Financial Foundations for Thriving Communities*. This framework is based on the Nobel Prize-winning body of work about how to solve shared resource problems, like local government budgets.<sup>1</sup> One of the insights from this work is that local communities are most likely to thrive when they engage in cooperative relationships with others.

In a traditional governmental model, the departments of the government are the service provider. Government as a platform is about working with the community to determine the service objectives of government and then “plugging in” the most effective service provider, regardless of whether it is the local government itself, a private, non-profit, or another public organization, or if it is an activity performed directly by the citizens themselves. This model is like the ubiquitous smart phone. A company like Google or Apple provides the platform and the best apps can be plugged in to accomplish the objectives of the end user.<sup>2</sup> Similarly, local government provides the authority to provide public services, and the best providers can do the hands-on work of delivering that service.

To take two examples, the City of Englewood, Colorado and Washington County, Wisconsin have both considered the potential to operate as a platform, rather than a traditional bureaucracy. This led Englewood to merge its fire protection services with the City of Denver. The new shared service saved Englewood about \$3 million annually or 33% of its original budget for the fire department. This is because Englewood was able to close one of its three fire stations as one of Denver's stations was sufficiently close to provide acceptable response times. Washington County formed a joint public health department with its neighbor, Ozaukee County. The shared public health department saved the counties a combined \$300,000 in annual operating costs in the first year.<sup>3</sup>

However, many local governments have already done things like form agreements with other governments to provide a service or contract out a service to a private firm. Two features make government as a platform distinct:

- **Government as a platform is a systematic approach to public service provision.** It aims to look comprehensively across the entire government and find the best service providers. This contrasts the more ad hoc approach local governments traditionally have taken to looking beyond their traditional way of providing services.
- **Government as a platform is agnostic on who the service provider is—it only matters if they can do the job.** For example, in the 1980s and '90s the idea of “privatization” and the “contract city” gained notoriety. These ideas were rooted in the assumption that private sector service providers were inherently preferable to public sector service providers. Government as a platform does not care if a service provider is from the public sector, private sector, or non-profit sector.

Our research suggests a three-step process that local governments can use to become a platform: 1) program inventory; 2) opportunity identification; 3) implementation. Let's examine each.

**Program inventory.** A program is distinct service offered by the government, like police patrol or tree services. This contrasts with the traditional approach of organizing by departments, like police and public works. Programs are directly relevant to how people experience public services. Therefore, they are far more useful in a discussion about how to provide services, compared to departments and line items. A program inventory should include all programs in the government that provide a discrete service that leads to an identifiable result or benefit for public. An inventory clarifies exactly what the government does. Hundreds of governments have developed program inventories. Below is an excerpt of a program inventory from the police department of a mid-sized city.

Local communities are most likely to thrive when they engage in cooperative relationships with others.

#### EXCERPT OF A PROGRAM INVENTORY FROM A POLICE DEPARTMENT

POLICE	COST	FTE	DESCRIPTION
Accreditation	296,499	2.4	Develops and implements the department's plan to maintain accreditation through Commission on Accreditation for Law Enforcement Agencies (CALEA).
Arson Investigations	198,394	2.0	Investigates all arson cases and is the liaison between the police and fire departments.
Asset, Bulk Cash and Property Forfeiture Management	241,171	2.0	Responsible for seizing all currency, real property, vehicles, and assets proven to be the property of facilitators of criminal activity/proceeds of criminal activity.
Auto Theft Investigations	204,801	2.0	Investigates stolen vehicle cases.
"Brains and Body" Summer Program	5,343	—	Summer fitness program and program to enhance math skills for Grades 3–10.
Burglary Investigations	2,396,563	11.0	Investigates all burglaries to residences and businesses.
Camera Enforcement Program	25,318	—	Camera enforcement for speed and red light violations.
Canine	1,151,513	10.0	Supplements field operations with dual-purpose canines. Assists in narcotics and explosives locations, tracking, and missing person searches.
Cold Case Investigations	151,692	1.0	Investigates unsolved homicide and other major felony cases.
Communications Liaison	185,261	1.2	Liaison between the police department and the fire department communications bureau.
Community Services	1,181,853	11.0	Interact with citizens, businesses, and neighborhoods to improve home/neighborhood safety, business safety, and quality of life issues. Also organizes speakers and events that are relevant to the community's needs.



A program inventory leads to the next step of opportunity identification.

**Opportunity identification.** Identifying opportunities may be as simple as convening participants from local agencies around a table and comparing program inventories. For instance, Moffat County, in rural Montana convened a meeting with Moffat County School District, the City of Craig, and Memorial Regional hospital. The County found that over half its budget was comprised of programs where at least one of the other organizations around the table had a comparable program. Other local governments that have undertaken this exercise have found even higher proportions. This is not to say that these are all duplicative services, but rather that there is a large area of opportunity to explore for partnerships, mergers, or insourcing/outourcing.

The City of Toledo, Ohio, undertook a similar process as Moffat County, but worked with the local chamber of commerce to look for opportunities to partner with other organizations, including the private sector. However, because government-as-a-platform isn't dogmatic about what sector the partners come from, the following steps were taken to review the City's programs:

- Proposals come to the City for how a given service can be provided by a provider from outside traditional city government, be it outsourcing to the private sector, sharing the service with another government, or something else.
- City staff review the proposal and determine if they can create a "counter offer" that would outperform the proposal.
- If the City cannot outperform the proposal, then the proposal can be accepted and service is reconfigured accordingly.

Some of the services that were reconfigured in this way include street sweeping and impound lots. One of the best examples was "Leaf Collection" a city run program where staff provided a high level of service: as long as residents raked their leaves to the edge of their lawn, city staff would collect, bag, and dispose of the leaves.

Toledo, Ohio potentially saved millions of dollars by identifying a private sector alternative for their annual leaf collection program.



The City's chamber of commerce identified a private sector alternative which has the potential to produce multi-million dollars in savings.

While Toledo's approach is a good model, research can also provide guidance on where to look for opportunities and how to evaluate them. First, we worked with ResourceX, a firm that helps local governments develop program inventories, to gather data from 200 cities and counties on their program inventories.<sup>4</sup> The cities ranged in size from 4,768 to 849,576 in population, with an average of 94,034. The counties ranged in size from 9,031 in population to 619,968, with an average of 125,827. We looked to see which programs were most commonly judged, by the local governments themselves, as having potential for partnership.

The table below shows the results for city governments. The first column shows the percent of the department's budget taken up by each program. The next column shows the percent of the entire city's budget, and the last column shows the percent of cities who judged the program to have potential for sharing. The programs within each department are ordered by how sharable the programs were thought to be. The reader may notice that many

of the most sharable programs are quite small as a percent of a department's budget. First, it is worth noting the departments often have many programs that comprise their total spending, so any single program is likely to only constitute a small percent of total. Even so, the numbers in the table are still not large. For example, a "large" program might be around 15% of the department budget or even more. Police patrol, for example, is over 30% of the department budget for many cities. This tells us that cities are more likely to start with smaller programs. This is understandable given municipal government's reputation for risk aversion. We also see maintenance programs come up often (be it vehicle, facilities, etc.). This tells us that cities most readily recognize the opportunity for sharing basic maintenance functions.

In the next table, we see the most sharable services for counties. Interestingly, counties identify programs that are a larger share of the department budget as being potentially sharable. We see a number of maintenance services identified, but also many non-maintenance services. That said, the maintenance services tend to be seen as sharable by a higher portion of the counties.

	% OF DEPARTMENT BUDGET	% OF CITYWIDE BUDGET	% OF CITIES WHO ID PROGRAM AS SHAREABLE
<b>POLICE</b>			
Animal Control	0.4%	0.2%	72%
Police Vehicle Cleaning, Repair, Maintenance	2.0%	1.1%	48%
911, Dispatch	2.3%	1.3%	42%
<b>PUBLIC WORKS</b>			
Fleet Vehicle and Equipment Replacement	3.6%	1.9%	74%
Custodial	0.6%	0.3%	62%
Facility Maintenance	5.4%	2.7%	52%
<b>UTILITIES</b>			
Utility Billing	0.5%	0.1%	34%
Line Inspection, Repair and Replacement	4.8%	1.3%	17%
<b>PARKS AND RECREATION</b>			
Athletic Field Maintenance	3.2%	0.5%	72%
Grounds Management	8.4%	1.3%	63%
Playground Equipment Repair and Maintenance	0.5%	0.1%	44%



	% OF DEPARTMENT BUDGET	% OF CITYWIDE BUDGET	% OF CITIES WHO ID PROGRAM AS SHAREABLE
<b>HEALTH &amp; HUMAN SERVICES</b>			
Family Services	9.7%	1.9%	32%
Child Care	1.4%	0.3%	18%
Senior, Adult Day Care (include Nursing Home)	7.8%	1.5%	10%
<b>FIRE AND EMS</b>			
Vehicle and Equipment Maintenance	1.8%	0.3%	69%
Calls for service (non-emergency)	7.9%	1.5%	17%
<b>ENGINEERING</b>			
Data management (GIS)	2.6%	0.2%	56%
Inspection, code enforcement	12.1%	1.0%	28%
Plan Review	20.2%	1.7%	19%
<b>SHERIFF</b>			
Dispatch	4.9%	3.5%	64%
Vehicle Maintenance	1.2%	0.9%	41%
Patrol, Calls for Service	11.8%	8.4%	33%
<b>PUBLIC WORKS</b>			
Roadway Operations and Maintenance	43.3%	10.5%	84%
Vehicle and Equipment Replacement	22.2%	5.4%	71%
Building, Custodial Services	1.8%	0.4%	45%

There are a few lessons we can take from the tables above:

- Smaller programs may be seen as less risky to share, so might be a good place to start.
- Maintenance services appear to have wide support, generally, for sharing.
- A more speculative lesson might be that the more distinct a program is to the identity of the community, the less likely it is to be shared. For example, maintenance would probably not be seen as a distinctive capability by most local governments. On the other side, police patrol might be seen as distinctive (e.g., the officers are very visible to the public, the cars have the name of the city written on them). We see that 33% of county sheriffs thought this service was sharable, but police patrol didn't even make the list for cities (it was 17%). Because "sharing" this service often means having the county take over local patrol and calls for service from cities, it is probably not surprising that cities didn't see the same opportunity that counties did.

It is also informative to consider the largest programs. The tables on the following page show some of the largest programs typically found in cities and counties. We see there are some cases of overlap between the largest programs and most sharable programs (particularly in county human services). However, there are cases where some larger programs were not rated as particularly sharable. For example, city police patrol is the largest service in many cities but was rated as sharable by only 17% of cities. Yet, many smaller cities throughout the US have essentially "outsourced" their police patrol to the overlapping county sheriff department. This is not to say that this the right path for every city, but it does suggest that there may be more potential for sharing services than many local governments might think. Another example might include regionalization of at least some aspects of utility services (e.g., highly capital-intensive functions like purification and processing).



Utility services like water purification and processing offer potential for sharing. The towns of Elkin, Jonesville and Ronda in North Carolina effectively reduced their risk of sewer system overflows after agreeing to consolidate their wastewater treatment facilities (pictured above) in 2006.

CITIES	% OF DEPARTMENT BUDGET	% OF CITYWIDE BUDGET
<b>POLICE</b>		
Patrol	39.7%	7.6%
Investigations	11.3%	2.2%
Dispatch	9.4%	1.8%
<b>PUBLIC WORKS</b>		
Utilities	20.5%	3.9%
Development Review, Permitting, Inspections	11.7%	2.2%
Asphalt Paving, Street Maintenance	9.0%	1.7%

COUNTIES	% OF DEPARTMENT BUDGET	% OF CITYWIDE BUDGET
<b>HUMAN SERVICES</b>		
Family Services	9.7%	1.9%
Senior, Adult Day Care (including Nursing Home)	7.8%	1.5%
Out-of Home Care	6.0%	0.3%
<b>SHERIFF</b>		
Incarceration (Adult, Juvenile) and Work Release	33.0%	6.3%
Investigations	19.0%	3.6%
Patrol	11.8%	2.3%



The data presented on the preceding pages shows us that there are many opportunities for local governments to partner with other organizations to provide public services. Our case study research provides guidance on how to select between opportunities.

- The first lesson from the experiences of our case studies is that sharing services needs to be motivated by a clear goal. In many cases, this goal will be to reduce costs. For cost reduction to be a compelling goal, there must be an obvious need for it. For example, Englewood's aging fire department was experiencing rapidly increasing workers' compensation, overtime, and unfunded asset maintenance costs. In Washington County, it was clear that the cost to provide public health services was outpacing available revenue, inspiring the county to adopt an explicit goal of providing the same public health services at a lower cost. The goal will help define which opportunities to select. For instance, if cost savings are a primary goal, then opportunities with the larger or most certain cost savings should be pursued.
- The second lesson is to make sure economies of scale are truly available by sharing a service. This is critical for evaluating opportunities, especially when cost savings are an important goal. Many of the benefits accrued from sharing a service will come from spreading certain fixed costs over a larger population of taxpayers. For example, Denver had one of its own fire stations close to the border with Englewood. This meant that it was able to close one of Englewood's three fire stations and still maintain acceptable response times. If the location of the stations were such that Denver had to continue operating all three Englewood stations, the deal would not have been as cost-effective. Because many government services are labor intensive, costs go up proportionately with the number of people served. Economies of scale may be less certain for more labor-intensive services.<sup>5</sup>
- The third lesson is to look for opportunities to share services with organizations that are also highly motivated to share and where the interests of both parties are compatible. This will make it easier to overcome the inevitable hurdles of restructuring the service. The City of Denver was already providing fire services on behalf of three other cities adjacent to Denver. Thus, Denver was willing to add one more city, and Englewood had evidence that Denver was a capable provider for other cities. Also, Englewood and Denver already had mutual aid agreements in place, so there was a history of cooperation to build on. Ozaukee County was facing the same cost pressures as Washington County, and their respective populations were fairly similar in their needs for public health



The City of Englewood, Colorado considered competing proposals before merging their fire protection services with the City of Denver.

services. It might have been much more difficult to come to an agreement if the two counties had populations with very different needs.

- The fourth and final lesson is to be mindful of the role of competition.<sup>6</sup> For example, Englewood entertained competing proposals to provide fire services from different potential qualified partners. Competition is especially important, though, if the local government is considering outsourcing to a private firm. Competition constrains the profit-maximizing imperative of private enterprise. Features of a competitive market include a large number of potential suppliers and low barriers to entry into the market for potential new suppliers. We saw how Toledo essentially allowed City staff to "bid" against outside proposals as a way of bringing competitive pressure to the process.

The competitive pressure present after contract signing must also be considered, with vendor "lock-in" being the most pressing problem. In other words, is the nature of



Competition is especially important if the local government is considering outsourcing to a private firm.

the arrangement such that the cost of switching providers is prohibitive? Lock-in can arise when the contractor has certain assets that make replacement difficult (e.g., camaraderie, machines, land, expertise). Lock-in might also arise if the market is such that a pool of available vendors cannot be sustained after contract signing. This concern is of most relevance to larger governments looking to outsource larger programs, in which case only a few firms might be able to put forth a responsible bid, much less maintain ongoing capacity to provide the service if they are not selected. The City of Toronto addressed the “lock-in” problem by dividing the city into service districts and allowing private firms to bid on refuse hauling in the districts against the city’s own department (similar to Toledo), but Toronto would always maintain at least one district for the City department. The intent was to avoid losing the ability to provide the service altogether, which would have left the City more vulnerable to the lock-in problem.

If cost savings is a goal of the local government, there are a number of other conditions, besides competition, that must be present in order for contracting out to a private firm to work. Since “contracting out” is just a subset of government as a platform, we have put these conditions in Appendix 1.

After the best opportunities have been identified (regardless whether the partner comes from the private, public or nonprofit sector), government must act on them.

**Implementation.** We saw how Englewood partnered with Denver to provide fire protection services. Fire services might be a big first step for many local governments. Moffat County started with an easy opportunity. It was discovered that both the hospital and county jail had large laundry operations. The hospital found that its approach to laundry appeared to be far less cost-effective than the County’s, so it began shipping its laundry to the County, providing new revenue to the County.

Whether the service that is the subject of the partnership is big or small, it is important to define the scope of services and the desired cost. Englewood received formal proposals from three potential providers of fire protection services, and it worked with the providers to refine the scope. Washington County worked with Ozaukee to define service quality and price, using standards for public health services set forth by the State of Wisconsin.

The shared service should also have a governance mechanism that allows the participating governments to influence how the service is provided. Englewood has formal definitions of the services that will be provided and the level of quality. It also has a special point of contact within the Denver Fire Department with whom the city can address concerns. Washington and Ozaukee developed a joint board of public health for their shared public health department.



Finally, delivering services through a partnership requires different management skills than delivering a service using people employed directly by the government. For example, partnerships usually require a better definition of the desired goals, timelines, and outcomes for the parties involved than for a service administered by the government itself. This is because the government has less ability to control the day-to-day actions of its partner(s) than its own employees. Therefore, it can't easily direct partners to change direction. This means that everyone needs to be aligned toward the same goal from the beginning.

If the implementation goes well, it can bolster the government's reputation as a good partner. Other public, private, and nonprofit organizations will be more willing to work with a government with a solid reputation for maintaining mutually beneficial partnerships.

## What We Can Say About the Effect of Government-as-a-Platform on Public Finance

Moving on from the three steps to becoming a platform, here is what our research found about government as a platform as a model for positively influencing efficiency, economies, and value in local government.

**Government as a platform can positively impact economization.** Developing a program inventory helps a government decide what services it should or should not be in the business of providing. For those services that local government should provide, the program inventory provides a basis for working with others to provide the service. Sharing services pools scarce resources and guards against wasteful duplication. In a number of our case studies, the program inventory helped governments identify services that should no longer be provided at all, in addition to services that could be sourced differently.


**Government as a platform can positively impact efficiency.** Government as a platform helps local governments find more cost-effective ways to provide service, as our examples have described. It can help governments access economies of scale or take advantage of other cost differentials that can be provided by other service providers.

**Government as a platform can positively impact value.** Government as a platform can help local governments realize economies of scale and other cost advantages without consolidation. We saw earlier that consolidation has a number of drawbacks that often outweigh the benefits, including the extreme complexity of making it happen and fierce resistance from the

community due to concerns about losing their identity. Government as a platform avoids these problems. First, it doesn't attempt to merge or differently source services where there is no value in doing so. Consolidation, in contrast, merges all services regardless of value. Second, government as a platform allows governments to move at a pace they can accommodate. Englewood merged its fire operations because it was ready to. Moffat County started with a smaller scale change. Third, governments can avoid merging services that are core to its identity. For example, the City Manager of Littleton, Colorado, observed that utility billing could be good service to share with surrounding communities because there is no unique community character associated with what is essentially a commoditized, back-office service.

**Government as a platform requires some new capabilities.** Government as a platform requires governments to create some new capacities, such as:

- **Develop a program inventory.** Most governments have only identified departments and line-items.
- **Define goals and standards for services.** Governments have often operated without clearly defined goals and standards for services. Though this is suboptimal in a traditional bureaucratic arrangement, it is virtually unworkable in government as a platform. This is because government as a platform requires giving up some control over how, exactly, a service is provided and, instead, focusing on whether or not goals and standards are being met.
- **Manage by contracts.** Traditional governments manage employees. While there are still employees in government as a platform, service contracts take on much greater importance.

State governments might be able to help local governments develop these capabilities. For example, Iowa requires local governments to file copies of internal local service agreements with the state. This creates a central repository of agreements that can be used as models elsewhere. States might also create processes for local governments to more easily seek waivers for state requirements that would otherwise prevent service sharing. For instance, Washington County had to seek waivers from the state on requirements for each county to operate a health department in order to form a joint department with its neighboring county. 

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# Conditions for Outsourcing for Cost Savings

Studies have shown that outsourcing for cost reduction is generally only successful when a number of criteria are met.<sup>7</sup> Below are crucial tests a given service should meet in order for it to be outsourced in order to save costs.<sup>8</sup>

**Are Competitive Forces Available?** Public officials must also be capable of sustaining competition. The government must have the wherewithal to take necessary action to sustain competitive forces, including switching providers when necessary.

**Can the Results be Measured?** Outsourcing is more successful when the government has a clear vision for the results it desires from the contractor and when those results can be unambiguously measured. This allows clear performance specifications to be developed as part of the contract and for the agency to more readily modulate service levels to available resources. Further, clear performance specifications allow for more effective monitoring of the service and provide a basis for replacement of an unsuccessful contractor.

**Does the Agency Want Just Results?** Many times in the public services, it is not just the results that matter, but the process by which a service is provided is also important. For example, in law enforcement it is very important that the processes safeguard civil rights and follow proper safety protocols. In cases where the government requires close control over the means by which a service is performed, outsourcing for cost reductions will generally be less successful because process constraints would limit the ability of private sector firms to use their inherent advantages (e.g., personnel flexibility, creative incentive structures) to deliver cost savings.

**Can the Agency Contract Successfully?** Fundamentally, using outsourcing for cost savings is a matter of trading lower production costs (i.e., private firm) for higher coordination costs (i.e., contract management). Thus, successful outsourcing requires that the government be able to minimize coordination costs by creating a contract that provides mechanisms for effective monitoring such as vendor self-reporting of verifiable results, a single point of contact for vendor relations, and that the government have the skill sets on staff to administer the contract (which differ from those required for management of employees).

**Do the Economics Make Sense?** Outsourcers can deliver cost savings based on economies of scale in service provision (i.e., spreading fixed costs over multiple customers), lower employee costs (e.g., fringe benefits are often not as good for private employees), and through employing more efficient work processes, owing to their expertise in the service provided. Hence, for service areas in which the agency does not have critical mass sufficient for economies of scale, has high labor costs, and/or has not optimized work processes can deliver the greatest potential savings.

Also, the agency must compare the proposed cost from the private firm to its "avoidable costs". These are the costs the agency can eliminate by outsourcing. For example, if the public employees who used to provide the service will be moved to new roles within the local government, rather than terminated, then the outsourcing will probably not make financial sense.

## End notes

<sup>1</sup>Shayne Kavanagh and Vincent Reitano. *Financial Foundations for Thriving Communities*. Government Finance Officers Association: Chicago, Illinois. 2019.

<sup>2</sup>The general concept of government as a platform was originated by: Tim O'Reilly. *What's the Future and Why It's Up to Us*. Harper Collins. 2017. Though the details of our definition differ significantly from O'Reilly, he is credited with the underlying idea of government serving as a platform into which "applications" can be plugged into.

<sup>3</sup>Based on personal interviews with the CEOs of these organizations.

<sup>4</sup>All data on city and county programs provided to GFOA by ResourceX, from ResourceX's client database.

<sup>5</sup>Economies of scale in public services were discussed extensively in Part 1 of our four-part report series.

<sup>6</sup>The necessary role of competition in public service outsourcing is discussed extensively in: Elliott D. Sclar. *You Don't Always Get What You Pay for: The Economics of Privatization*. Cornell University Press: Ithaca, New York. 2001. Also see: John D. Donahue. *The Privatization Decision: Public Ends, Private Means*. (New York, New York: Basic Books). 1989.

<sup>7</sup>John D. Donahue reviews a number of studies on the ability of outsourcing to reduce the cost of government in: John D. Donahue. *The Privatization Decision: Public Ends, Private Means*. (New York, New York: Basic Books). 1989.

<sup>8</sup>Outsourcing can have other goals besides cost reduction. Hence, the list of test criteria would need to be expanded in order to address these other goals.