

# BUILDING BETTER CITIES

by Joe Lauber

A couple of years ago, I found myself in a small city's board of aldermen meeting where the city clerk (who serves as the de facto finance director, city administrator, and chief cook and bottle-washer) was summarizing the city's proposed budget for the upcoming fiscal year. She was pointing out that revenues had fallen off significantly and that they had done all that they could do to eliminate costs. They were down to just two employees: had contracted out for police services; and no one had seen a pay increase for several years. Despite this, she explained, for the third year in a row the city would be forced to cash in a certificate of deposit to make ends meet – this was the last certificate they had and for the most part reflected their entire reserve fund. I was surprised that the board did not have any questions when prompted by the clerk after receiving this news, so when the mayor began to entertain a motion to accept the budget I asked to say a few words.

Within the past few months before this scene there had been a city in a nearby county that had undergone the statutory process to disincorporate. Thankfully, I have never been asked to “put a city down” in this manner, but it occurred to me in that moment that this city might be only a few miles down the trail from where the nearby city met its demise. I asked the board members if they understood the ramifications of continuing this path of emptying the city's reserves and cutting costs (and services) to the bone. They did, but what this group of handymen, farmers and retired schoolteachers did not know was how they could do anything about it.

Fifteen or so years earlier the main highway through the town was bypassed around the city. Businesses were closing up and young people were leaving to find work in other places, returning home only for an occasional weekend visit. I told the board they had a choice to make. I could help them put the city down (disincorporate) when the time was right – but in the not-too-distant future. Or, I could help them with steps that might turn around their fortune. To their credit, the Board's unanimous decision was to fight for the life of their city.

What follows is a summary of the things we did to build a better city in that instance. Looking back on our experience, it is clear that whether your city finds itself at the brink of disaster or not, the things we did are steps that should take place all along, and are all applicable to cities of every size and financial status.

*Continued on page 6 ...*

***Editor's Note: The following article is the first part of a two-part feature sharing ways to build a city's strengths and keep a city on the path to success. The second installment of this feature will publish in the November 2014 issue of the MML Review Magazine and cover the external resources a city may consider.***

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## SETTING PRIORITIES AND GOALS

No matter whether you still prefer the crinkle of a paper map, or you'd rather have a lady on your GPS direct you, every journey needs a good map. The map of a city's success must be drawn against the backdrop of the goals and priorities a city sets. Most cities in Missouri have been in existence longer than we have, and it is hoped that they will continue to thrive long after we are gone. An initial question city leaders should ask themselves is, "what will be my legacy"? What will people remember about you or your administration once you are gone?

If you do some internet research, you will find countless different goal-setting programs, and I feel certain that each is just as effective as the next. I like one in particular because of the clever mnemonic: always set "SMART" goals.<sup>1</sup> For ultimate effectiveness, goals should be Specific (clear and well-defined, not vague or generalized), Measurable (precise outcomes), Attainable (realistically possible to achieve), Relevant (focused on the direction in which you wish to go), and Time-bound (have a deadline).<sup>2</sup> For example, if your city goes into a four-hour goal-setting session and comes out with the goal of "increasing revenues" for the city, is that progress? On the other hand, if your resultant goal is to increase sales tax revenues by \$50,000 in the next fiscal year by putting a question on the ballot to approve a tax for an untapped tax revenue source, then you have a workable plan.

Beyond making the plan, it is important to write it down, make it "official," and stick with it. In this circumstance, Art Davis of Art Davis Group, LLC, worked with the city to conduct a simple survey of the goals and aspirations of the elected officials and employees that was ultimately reduced to a resolution approved by the board. A copy of the resolution on

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parchment paper with calligraphy font was framed and it now hangs inside the door of city hall. More importantly, the resolution is referred to at nearly every Board meeting and we are accomplishing goals.

## INTERNAL RESOURCES ANALYSES

Once you have a good plan for where you are headed, it is a best practice to check out the vehicle that will get you there. The next phase of this process is to look at how the business of the city is running from the inside. As a mayor and board or councilmember, it is important to remember that you are basically the CEO and board of directors of a municipal corporation. While cities are not focused on profits and shareholder dividends, they are concerned about the stewardship of public funds, level of service and constituents. Your internal analysis should consider, at a minimum, the following areas: finances and revenues; infrastructure; staffing and personnel issues; and policies and procedures.

## FINANCES AND REVENUES

The business of running a municipal corporation is different from the private corporate world, but there are similarities. Cities, for the most part, are not manufacturing widgets, although in some circumstances they are bringing a product to market. Instead, as a group, cities are primarily a service industry - the provision of waste water and storm water sewerage services, police and fire services, and

potable water delivery services to name a few. An initial step should be to determine whether it is bringing in enough revenue to cover the costs of providing services to its customers.

Is the revenue coming in for operations sufficient to cover the costs of operating that business, including setting aside funds for proper long-term upkeep and maintenance? Or is it borrowing against time in actual debt or, just as costly, in the form of deferred maintenance. Often times the answer when things get financially tight is to "wait until next year." Unfortunately, those deferred costs (A) rarely get cheaper and (B) never go away. A city's staff and elected officials should always have a working knowledge of the city's debt level. As a general rule, unless the city has received voter approval for a higher amount, it is subject to a debt ceiling of 5 percent of the total assessed value within its jurisdictional boundaries.<sup>3</sup> Do you know your limit in case of an emergency?

Another consideration is to understand how the revenue is generated. More importantly, is it utilizing all of the available revenue sources the community will support? Property taxes are an important source of revenue, but it places the burden of revenue generation squarely on the citizens. Sales taxes, while applicable to the community when buying "in town," are also paid by non-residents who benefit from visiting your community for school, to work or to shop. These non-residents consume resources;



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therefore, they should share in the costs of making municipal services available. Administrative fees, which are charges placed on constituents when they partake of a particular service, are another effective revenue source. Pool fees, shelter house rentals, dog licenses, business licenses, and building permits are all examples of administrative fees. Are the costs of administering these services sufficiently offset by the fees charged? Finally, grants can be an excellent source of revenue from federal and state sources; however, beware of “strings” that may be attached – sometimes the cost of participating in the grant program is significant. It is important for every city to look at each of these sources and understand how they fit into the big picture of the city’s financial condition. In order to survive difficult times, it is important to have diversified and stable funding sources.

Last, if the city is operating a business enterprise (water utility, power utility, trash collection service, etc.), this enterprise must cover its own costs. If private companies cannot stay in the widget-painting business because it costs more to operate the business and maintain the equipment than the business can bring in, why should a city’s water utility be any different? Subsidizing these enterprises from the general fund is not necessarily a bad thing; however, not knowing what the level of subsidy is being provided or worse yet, not thinking about the issue at all is a major concern.

### INFRASTRUCTURE

Once there is an understanding of how funding comes in, it is logical to review how it goes out in the form of costs of operations. Sanitary sewer infrastructure is a great place to start. If the city does not have an inventory (map) of your sewer infrastructure, start one. Now. The inventory should address where the lines are located, how deep, how old they are, and where the major problem areas are located. All of these things can help to save major costs in the future, especially by reducing line breaks due to construction, repairing worn out lines before they break, and also training new personnel. The costs of treating inflow and infiltration (INI) at the sewer plant or lagoon are real and they add to the bottom line; what is the goal to reduce these costs in the next six months? Other major costs that can hit a city’s sewer infrastructure includes fines from regulatory agencies.



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Repeated back-ups can lead to inverse condemnation claims; as mentioned before, deferred maintenance is a real cost.

Likewise, the city should map its other infrastructures and prioritize its condition. The city still has to pay for water that enters the system and leaks from worn lines and meters. Meters not calibrated properly may allow product

to flow to customers at no charge or create bad will among the citizens. Dangerous conditions in parks and on sidewalks and other pedestrian ways could lead to legal liability. Non-existent or unreliable utility services might cause prospective employers to pass by or cause younger generations to move away to a more technologically savvy community.

## STAFFING AND PERSONNEL

An internal review of staffing and personnel resources is a must for service-oriented industries like cities. Over the years, there have been numerous examples of a candidate running for office so they can “clean up city hall.” Most of the time, if these folks are elected, they realize that city staff is generally a hard-working bunch, striving to do the best they can with limited budgets. It is important to look at whether the level of staffing is appropriate when gauging whether or not someone is doing a good job. If the city skimps on staff and makes them do the jobs of two or three persons, you will burn them out and they will go elsewhere at their earliest opportunity. The city will also end up with more costly physical injuries and bad interaction with citizens when morale deteriorates.

Do the things that are needed to reduce turnover. Turnover costs money; it is expensive to constantly rebuild experience, training, and institutional knowledge. This is in addition to the intangible cost of loss of goodwill in the community when the city’s employees never know what they are doing because they are always new. It is also important that the city is offering competitive salary and benefits. If the city is not sure about this, do a survey – call around to other cities or ask the Missouri Municipal League for help. The city should also invest in its staff’s knowledge by offering training opportunities.

Also, be sure to develop strong employment policies and procedures. More importantly, enforce them; employees need to know what the rules are and that if others will not abide by them, that necessary action will be taken. Not doing this can lead to a pervasive “lowest common denominator” attitude. Finally, always expect and provide great customer

service. This service may be external, i.e., that which is provided to citizens, or internal, i.e., that which is provided among staff, interdepartmentally and person-to-person.

## POLICIES AND PROCEDURES

A final consideration for internal resources analysis deals with the importance of developing, following, reviewing and amending, when necessary, policies and procedures that espouse good business practices. A city’s policies and procedures should be living documents, constantly updated for new understanding or practical applications that were not considered at the time they were developed. Policies and procedures should not be simply kept on a shelf – these are the trails blazed by pioneers who have gone before us to save us from extra work today.

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Examples of policies that each city should have in place are:

- **Reserve Fund** – How much “cushion” is needed for operations?
- **Purchasing** – Are you asking the best use of public funds? Is there an adequate balance between efficiency in getting work completed and primary accountability for purchasing decisions? Is there adequate protection from conflicts of interest?
- **Investment** – Are idle funds earning the most money possible?

- **Economic Development** – Is the city proactive or reactive when a developer requests incentives? Does the city know what is wanted or needed?

The answer to all of these issues, and many more, can be guided effectively by a good policy and logical and practical procedures. □

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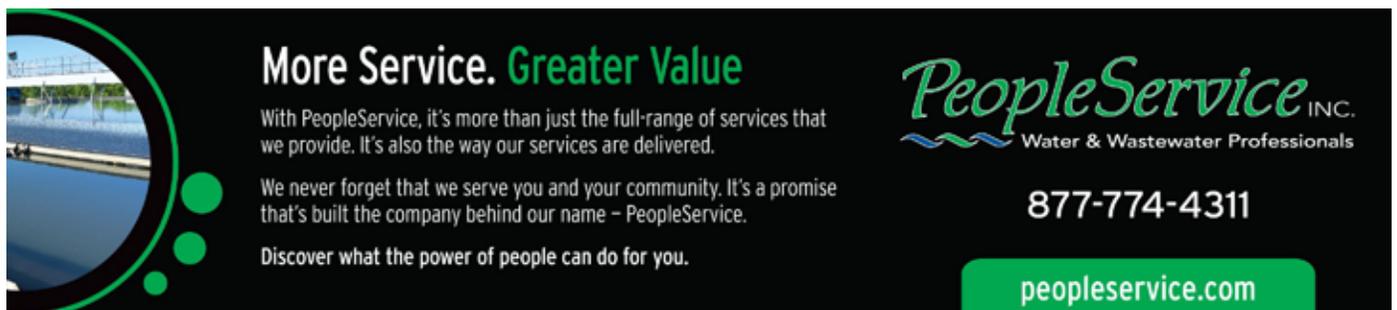
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(Endnotes)

1 Adapted from Golden Rules of Goal Setting- Five Rules to Set Yourself Up for Success at [www.mindtools.com](http://www.mindtools.com) ([http://www.mindtools.com/pages/article/newHTE\\_90.htm](http://www.mindtools.com/pages/article/newHTE_90.htm); last visited August 3, 2014)

2 Id.

3 See Mo. Const. art. VI, § 26(b)



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