



# Citizens League Report

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## Results for Citizens, Options for Officials

*Public affairs  
research and education  
in the Twin Cities  
metropolitan area*

**CITIZENS LEAGUE REPORT**

**Results for Citizens, Options for Officials**

*Prepared by:*

**Committee on Organization of Local Government Services:  
Goals and Structures**

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Approved by the Citizens League Board of Directors

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## EXECUTIVE SUMMARY

Local governments in Minnesota are under pressure. Demands for public service continue to grow, while their primary sources of revenue have not kept up. Local governments have often responded by cutting services and raising taxes and fees, thus giving citizens less for more. At the same time, citizens are more concerned about the effectiveness of local services. What is the value received for dollars spent?

For the past 20 years, the Citizens League has been among the voices suggesting there is an alternative, namely to redesign service delivery and government structures. In 1991, the Citizens League convened a study committee to revisit public service design and to examine how local governments organize and deliver their services.

Over a four-month period, we heard from many people who offered their thoughtful perspectives on how local governments organize and deliver services. We saw many good examples of local governments doing things well. Talented managers and far-sighted elected officials work together to launch innovations, create incentives for employees and managers and provide choices to consumers and officials. Individuals and neighborhood groups make smart choices and help guide officials in designing services.

Clearly, though, these things are not happening everywhere. What are the impediments to local governments doing things differently and better? Here are some key barriers:

- **Misplaced incentives and motivation.** Local officials often work in a system of motivation and reward in which incentives are absent or encourage the wrong result. For example, if officials don't spend their entire budgets by year end, they may not carry over the surplus to future years or invest it to improve service. They may see their budget cut in the next year.
- **Lack of flexibility.** Local officials often lack flexibility in identifying their

responsibilities and how to best carry them out. This is seen when the state delegates service responsibilities to local governments in a way that emphasizes complying with a detailed prescription for *how* things are to be done, rather than a shared vision of *what* should be accomplished.

- **Lack of evaluation.** They may often lack a formal way of measuring and evaluating the outcomes of services and sharing that information with citizens.
- **Lack of opportunities for citizen involvement.** Citizens, in turn, lack tools and opportunities to hold local governments accountable and to encourage innovative approaches to service delivery.

## RECOMMENDATIONS

### CREATE NEW OPTIONS FOR MANAGING SERVICE BUDGETS

We recommend:

- ☐ **Local governments, neighborhoods and individuals should have additional opportunities to manage service budgets as a means of improving service delivery.**

Our premise is that, in many cases, dollars now spent for services can be spent in different ways to improve the delivery of services. We assume that the changes would have to be budget-neutral.

*In our view, introducing these options, even if they were rarely exercised, would create significant incentives for local officials to improve services because they will want to keep people satisfied within the system.*

These new opportunities can take place on several levels. For example:

- *Local governments* should be given increased options for managing funds now designated for a certain service and controlled by other units of government. The local government, working closely with citizens, would design the service, select the vendor and manage the service budget.

The transit programs developed by Maple Grove and other suburbs provides a good example of how local governments can develop a new relationship with a regional operating agency such as the Metropolitan Transit Commission. The close involvement of citizens helps it work.

Another example might involve cities receiving a budget with which to buy certain criminal justice services now provided by their local county. Cities might continue to use the local county as the vendor. But, maybe they would see if other counties could provide the services on a more effective or more economical basis.

- *Neighborhood-level organizations* should be given options for managing the funds designated for a certain service, including the authority to design the service and select the vendor.

In past reports, the League has recommended that cities foster the development of neighborhood service delivery models. Now we propose that neighborhoods should be able to petition a local government for the opportunity to manage part of a local service budget.

The issue here is whether neighborhoods could provide the service better or could buy it better than the city is already doing. Our committee heard from the Whittier Alliance (of Minneapolis) about its ideas for taking the money now spent on Whittier Park and using it to design and provide park programs. Perhaps the neighbors would develop a contract with the Park Board or consider other vendors. Perhaps volunteers would take some responsibilities for organizing programs and maintaining the park.

Creating opportunities for such neighborhood-based initiatives requires some rules or structure; obviously not just anyone can come in to scoop up some money. However, if this option will be useful, then the local government can't be a gatekeeper with all authority for approving or

rejecting the neighborhood's proposal. One approach would be for the Legislature to identify ground rules for a viable proposal.

- *Individuals* should be given options for taking funds designated for a certain service and managing a budget where the individual has designed the program and selected the vendor.

An example of this approach is the Dakota County account management program for families of persons with developmental disabilities, described in Chapter 2 of this report.

## DEVELOP PUBLIC SERVICE ENTERPRISES

One of the most significant ways of expanding choices for elected officials is to reinforce the fundamental distinction between local governments *deciding* and *doing*. We propose to create new opportunities for local governments to shed some of their operating responsibilities and operate as sophisticated buyers of services.

### We recommend:

- ☐ **Local governments should be authorized and encouraged to transform their operating bureaus into enterprises.**

A local government unit, such as a city or county public works department, could be transformed into a *public service enterprise*. In turn, city councils or county boards could enter into a contract for services with the new entities. In addition, the new enterprise could market its services to other cities, counties or school districts in the area.

Transforming government departments into enterprises builds on examples already in place of governments buying services from each other. For example, the city of Roseville maintains the grounds at the schools in the Roseville district. This is a very good example of how schools could use different approaches to organizing those administrative and support services that are outside their core responsibility of instruction.

The purpose of creating this contracting option (or any contracting option) is not to pay less for services but to provide services more effectively.

In setting up enterprises, local governments should give them additional flexibility and significant responsibility. Thus, to the extent that civil service systems or procurement requirements create obstacles to effective operation, enterprises should be freed from those constraints.

In developing contracts, the local governments should set performance measures and provide incentives for superior results. Our goal is that local governments could choose from several competing enterprises (or other local governments) in carrying out their functions.

There are several interesting examples in Great Britain and the United States of transforming government operations into enterprises. During the 1980s, the Conservative government in Great Britain began to transform large portions of the public service bureaus into self-contained agencies. These agencies are to be headed by strong executives with broad discretion over staffing and budgets and clear performance targets.

We see several advantages of this approach:

- Creating these enterprises would allow city councils and county boards to shed some of their operating responsibilities and focus their work on policy making. At the same time, they would have a choice of competitive providers.
- Because they have to earn their budget, managers and employees of these enterprises would have incentives to adopt a customer-service orientation.

### **ALLOW LOCAL GOVERNMENTS TO CHOOSE RESULTS-BASED REGULATION**

In many service areas, local governments are the final delivery point in a state-local service system. Over the years, a complex system of mandated procedures has been instituted in some of these areas. For example, if a county is providing services to a child with developmental disabilities and severe behavior problems, it goes through a series of planning processes to develop different individualized plans for the child's special needs. Because of this focus on *process* -- doing things right, less attention is paid to *results* -- doing the right thing. In cases where local government is

carrying out those shared responsibilities (including most mandates), we propose giving those units significant flexibility to craft a new kind of relationship with the state.

**We recommend:**

- ☐ **Local units of government and state agencies should develop contract relationships that focus on results. Such agreements would give the local unit significant flexibility for how it reaches those goals.**

The local unit and the responsible state agency could negotiate a contract which would specify performance standards and expected results. Our recommendation is similar to the social services contracting proposal introduced in 1992 by Representative Wayne Simoneau and Senator Don Samuelson. The Legislature passed that bill, an initiative of Anoka County.

Social services provide the clearest example of where results-based regulation might apply. However, there are many other possible examples in areas such as education, licensing and inspection functions. For a variety of service areas, local government should be given a choice. Either they can work under the current regime of administrative rules or a more "entrepreneurially-friendly" system based on performance standards and results.

### **CREATE A "VALUE FOR MONEY" AUDITING FUNCTION FOR LOCAL GOVERNMENTS**

The state should fill a gap in its performance auditing capabilities. No office is charged to evaluate the performance of local governments. The State Auditor conducts or supervises financial audits of *local* governments. The Legislative Auditor evaluates programs of *state* agencies and audits their books.

**We recommend:**

- ☐ **The Legislature should direct the the Legislative Auditor or the State Auditor to develop and implement a program of value for money auditing of local governments.**

### GOVERNMENT AUDITING RESPONSIBILITIES

	Local government	State governments
Financial audits	State Auditor	Legislative Auditor
Performance/ program evaluation	?	Legislative Auditor

This office would assemble data produced by local units and develop comparative statistical profiles. These would make "Truth in Taxation" hearings a much more meaningful exercise because citizens would have reliable information comparing their local units with others.

The office would also conduct in-depth studies. For example, one year it might examine how well local governments are operating their hospitals and nursing homes or diversion programs for juveniles. We think that directing an existing office to expand its role into local government performance reviews would provide invaluable assistance to the Legislature, local governments and the citizens of the state.

The Audit Commission of Great Britain provides a model for how a program of performance auditing can be valuable. The Commission's philosophy is to help local units improve "value for money."

Each of our recommendations for redesigning services assumes that citizens and their local officials will have good information about what services are provided, the costs of services and the quality of the outcomes, and are able to compare that information with what is done in other cities or counties. For example: local governments maintain thousands of miles of streets, and their crews patch thousands of potholes each year. Information will be needed to determine when a neighborhood-based proposal to manage street maintenance should be approved, or to help a local government compare proposals from pothole patching enterprises.

**We recommend:**

- ☐ **The Legislature should direct development and implementation of a performance accounting**

**system to be used by local governments.**

Soon after a local government performance auditing function is launched, we expect that the auditors will find that the information generated by local governments on how they perform their functions is inadequate to make the useful comparisons that we want to see. School districts and counties have long used uniform, multi-dimensional financial accounting and reporting systems with a standard chart of accounts. They now need to build on to that structure a standard method of measuring spending on inputs (labor, trucks, blacktop, etc.) and linking that information with results (500 square feet of potholes patched) and quality -- the patches lasted six months.

We think that citizens have a fundamental right to know how public funds are spent, to have measures of the quality of local services and to be able to compare local government performance. When program results are known, the public won't have to wait for sporadic investigative reports in the news media to find out how well treatment programs for sex offenders are working, or whether job training programs are placing clients in well-paying jobs. Programs that are demonstrated to be effective should have an easier time getting their budget requests approved.

Turning the quality spotlight on local governments means identifying problems but also celebrating successes. We suggest that Minnesota establish an award for local governments that achieve excellence in delivering or arranging local services. Like the Malcolm Baldrige award given for excellent quality in private industry firms, a state award could be a powerful external incentive for local governments to excel.

In addition, it would be desirable for the state to actively disseminate information about high-quality operations. Working with the various associations of local governments, it could establish a clearinghouse for sharing ideas and for providing technical assistance to help local governments improve their use of contracting options, develop better outcome measurement and evaluation systems.

## INTRODUCTION

Local governments in Minnesota are under pressure. Demands for public service continue to grow, while their primary sources of revenue can not keep up. Local governments have often responded by cutting services and raising taxes and fees, thus giving citizens less for more.

For the past 20 years, the Citizens League has been among those suggesting there is an alternative: redesign service delivery and government structures. 1992 marks the 40th anniversary of the establishment of the Citizens League. It also marks the 20th and 10th anniversaries, respectively, of two seminal Citizens League reports on designing services.

In 1972, the League issued a report entitled *Why Not Buy Service?* That report said that the primary role of government is *deciding* that a service should be provided, whether government should be the *operator* of that service was a separate issue. We advocated that government become a skillful purchaser of services.

Ten years later, the League issued a report entitled *A Positive Alternative: Redesigning Public Service Delivery*. In it, we advocated a series of changes to the service delivery system to provide more value and satisfaction for the money spent. For example, we said that governments should allow providers of service to operate more as entrepreneurs in a competitive environment, not as sole suppliers of service in a monopoly environment.

Our 1982 report was written as the state was emerging from a series of budget crises in the early 1980s. Thus, concerns about the fiscal pinch on the public sector and its productivity and effectiveness are certainly not new issues. However, Minnesota's current fiscal problem makes them more urgent. In 1992, the Minnesota Legislature faced a revenue shortfall of about \$569 million. This came on top of a shortfall of \$1.1 billion in setting the 1992-93 biennial budget. Recent projections of shortfalls in the 1994-95 biennium range from \$900 million up to \$1.5 billion. This imbalance of revenues and spending is only partly the result of a weakened economy; the state must deal with other structural problems.

In 1991, the board of the Citizens League convened a study committee to revisit public service design and to examine how local governments organize and deliver their services. It directed the committee to consider three specific approaches:

- centralizing services or possibly combining local units of government;
- decentralizing service delivery responsibilities to a neighborhood or other smaller unit and
- contracting for services, either with other governments, with a metropolitan area service bureau formed by local governments or with private organizations.

Over a four-month period, we heard from many people who offered their thoughtful perspectives on how local governments organize and deliver services. They included elected officials, current and former government administrators and representatives of neighborhood groups. Many of them told us of how they have taken innovative approaches to service design. During our study, we saw that many local governments already cooperate in a variety of ways to deliver local services. Local governments, because of the efficiencies they have already achieved, are well-suited to take the next steps in improvement service design and delivery.



"Local government" describes a wide range of entities, ranging from large cities and counties to small, special purpose districts. Some are run by elected officials, some are not. They are all creatures of the state in some sense. However, there is not much more that they have in common. Our work focused on cities and counties. We spent less time looking at school districts. However, because they spend such a large share of the public's tax dollars, we think their role in redesigning government services is crucial. We think that many of our recommendations apply to schools, especially to those support and administrative functions which surround their primary mission of instruction. In many parts of the state, the school district runs the biggest food service, bus transportation system and janitorial and grounds maintenance operation.

During our study, we departed somewhat from our charge. This report does not identify the conditions under which the three approaches noted above would be desirable. We concluded that the answer would be different for every unit of local government. Instead, this report contains our suggestions for how to promote changes in how local governments approach organization of services.

Chapter 1 of this report presents our analysis of the problems facing local governments in Minnesota. In Chapter 2, we discuss approaches to service redesign and describe some of the innovative approaches that most impressed us. In Chapter 3, we offer four recommendations to help local governments solve their problems.

# CHAPTER 1

## THE PROBLEM FACING LOCAL GOVERNMENTS

Local governments in Minnesota face problems that are both political and technical. First, government officials are caught between citizens' expectations for public services and those citizens' reluctance to pay more taxes. Second, they face citizens' concerns about the quality and effectiveness of services provided. Third, they find it difficult to communicate the value of services to their citizens.

To respond, government officials need ideas and tools to help them become more productive and responsive. Then, they can maintain current services and even provide additional value to citizens without increasing taxes. We think that a focus on the *value* received for money spent by local governments is more useful than just measuring the *cost* of government. In this chapter, we review some key trends that provide the context for our discussion.

### DEMAND FOR SERVICES IS INCREASING

The demand for local government services is growing. Several factors drive that growth, including:

- demographic changes;
- high -- some say exaggerated -- public expectations for services and
- the need to keep up with changes in technology.

There is strong pressure for increased spending in the areas of health care, education and public assistance.

The median age of Minnesota's population has increased from a recent low of 26.8 years in 1970 to 32.5 in 1990. In addition, the number of old elderly -- 85 and older -- has increased by 30 percent since 1980. With this increase comes additional demand for costly nursing home care, much of which is paid for by the state and federally-financed Medical Assistance program.

Similarly, after years of decline, the number of school-age children has begun to increase again. The growth will stop by the year 2000. Nevertheless, the increase in school enrollment puts pressure on the state and local districts to increase their support for schools, both instruction and building capacity. As enrollments declined during the 1980s, it was possible to increase *per student* funding while only adding small net amounts of new funding. That is not possible in the 1990s.

Local governments are also under pressure to keep up with changes in types of services. For example, parents expect that school districts will add the new computers needed for students to use up-to-date research and instructional systems.

Our committee sensed that public expectations for services are high and are one source of the problem. For example, we see people taking less responsibility for caring for family members who are elderly or disabled. Instead, they look to government to provide services.

## INCOME IS NOT INCREASING

Our economy is not growing fast enough to finance the demand for increased service at current tax rates. For example, household income in the metropolitan area grew slowly during the late 1980s.

Furthermore, most recent growth in household income is a result of more people working, and there is not much capacity left. In Minnesota, the proportion of women in the labor force grew from 49 percent in 1974 to 63 percent in 1988. That is well above the national average. Growth in that proportion has now leveled off.

While the percentage of personal income paid for state and local taxes has remained relatively steady in the past 25 years -- from 12.7 percent in 1965 to 12.8 percent in 1987 -- increases in government spending have been fueled by growth in personal incomes. The national average, by comparison, was that 11.5 percent of personal income was paid for state and local taxes in 1987.

State and local government spending in Minnesota is high compared to other states. According to 1987 data from the Advisory Commission on Intergovernmental Relations (ACIR), Minnesota's state-local spending in 1987 was 122.2 percent of the national average. Its spending needs, based on an ACIR index of the magnitude of problems addressed by government spending, are 96.7 percent of the national average.

Increases in taxes to finance the current level of services are likely to meet strong resistance. Minnesota has not experienced a tax revolt on the scale of California's Proposition 13 or Massachusetts' Proposition 2-1/2. However, the state Legislature has felt pressured almost every year to appropriate additional funds to property-tax relief to "buy down" expected increases in property taxes. Tax increases to improve or extend services may get a better reception. For example, polls have shown a willingness to pay additional taxes to finance health care for the uninsured.

Thus, local governments are caught in a difficult position: between public expectations to maintain or increase service levels, and public reluctance to pay more taxes.

## THE STATE-LOCAL FISCAL DILEMMA

Since the Minnesota Miracle of 1971, the state has increasingly taken state-collected revenue sources -- the sales, individual income and corporate income taxes -- and distributed them to local governments in the form of categorical grants, property-tax relief and general-purpose aid. In 1990, cities of all sizes received \$680.8 million in revenues from state sources, including local government aid, property-tax relief and highway funding.<sup>1</sup> That amounts to 28.8 percent of total city revenues that year. For smaller cities, state revenues are especially important. Intergovernmental revenues from all sources accounted for nearly half of total revenues for cities of under 2,500 population.

During the 1960s and 1970s, many locally operated service systems were built up using federal money. In the 1980s, the federal government reduced sharply its role in financing local government. Between 1981 and 1989, city revenues (in Minnesota) from federal sources declined from \$158.1 million to \$108.7 million. On a percentage basis, the decline is more striking: from 9.5 percent of total city revenues in 1981 to 3.3 percent in 1989. With the federal government largely out of the picture, many local governments are dependent on state funding to maintain a relatively high level of local services.

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<sup>1</sup> Data on local government revenues are based on annual reports from the Office of the State Auditor.

## PUBLIC SATISFACTION WITH LOCAL GOVERNMENT

Our sense is that most Minnesotans are pleased with their local governments. Support for this comes from several sources. For example, Decisions Resources, Ltd., a local polling firm regularly surveys residents of Twin Cities' suburbs to ask about their view of city performance. In almost all of the 22 cities surveyed, more than two-thirds of residents responding thought that the performance of city staff was either excellent or good.<sup>2</sup>

Furthermore, most people are more satisfied with their local governments, but much less so with state or federal governments. For the past 20 years, the Advisory Commission on Intergovernmental Relations has polled Americans about their attitudes toward government and taxes.<sup>3</sup> As shown in Table 1.1, two of the questions posed are especially pertinent to our study. The results are pretty clear: people, particularly in the north-central states, think their local governments do a better job than other levels of government.<sup>4</sup>

TABLE 1.1

### VIEWS OF GOVERNMENTS

*From what level do you think you get the most for your money: Federal, state, or local?*

	Federal	State	Local	DK/NA
Total public	26	22	31	22
North-central states	22	20	38	21

*Which level of government do you think spends your tax dollars most wisely?*

	Federal	State	Local	All of them	None of them	DK/NA
Total public	12	14	35	2	37	10
North-central states	6	13	44	4	22	10

Source: Advisory Commission on Intergovernmental Relations, "Changing Public Attitudes on Government and Taxes," 1991

We also see a conflicting trend: people with means are more willing to spend their money to buy services privately that were once almost exclusively a public responsibility. Former Commissioner of Finance Peter Hutchinson cited statistics to our committee on how much individuals and businesses in the Twin Cities area now spend on private security patrolling and monitoring services. Similarly, entrepreneurs -- both for-profit and nonprofit entities -- have opened several privately-operated indoor playgrounds. These appeal to parents willing to spend a few dollars per child for an afternoon of play.

<sup>2</sup> Some observers view these survey results very skeptically. The results seem to be almost uniform between jurisdictions, even when the quality of service varies widely. In Minnesota, especially, people are too polite to be critical.

<sup>3</sup> Advisory Commission on Intergovernmental Relations, "Changing Public Attitudes on Government and Taxes," 1991

<sup>4</sup> Note that both questions are stated in comparative terms (which of the three is best?), not in absolute terms, e.g., do you agree that local governments spend money wisely?

## BOUNDARIES ISSUES

When we began this study, we asked if there are too many local governments in Minnesota. Minnesota has more than 3,500 local governments, including 87 counties, 855 municipalities, 427 school districts, and many special purpose districts. A typical Minnesotan receives services from (or is otherwise affected by) many different local governments and special districts. Many of them have a low profile, and citizens know little about how they work.

This proliferation of governments is an old issue, especially for the Citizens League. For example, a 1978 League report, entitled *Knitting Local Government Together*, called for combining the functions of municipal and county governments in the Twin Cities metropolitan area into a combined structure. Former political science graduate students will recall reading about city-county governments that were established in places like Miami-Dade County, Florida and Indianapolis-Marion County, Indiana. The idea never caught on in this area; in fact, some fiercely opposed it. There have been very few consolidations of cities in Minnesota in the past 30 years. (It's hard to think of any after Edina-Morningside and International Falls-South International Falls.) However, the number of school districts in the state has declined slowly in the past 10 years due to mergers.

In some cases, the experience has been to create more local units. There are a few recent examples in outstate Minnesota of townships incorporating as new cities rather than a nearby city annexing them. There are many more examples of new special districts created to address specific issues, such as water management. That has added to the public's confusion about which government is responsible for what.

About halfway through its work, our study committee decided not to pursue the issue of whether consolidation of governments is a solution to the problems raised in this report. With the possible exception of school districts, we think that boundaries of local governments are unlikely to change. This does not mean that we have rejected past League positions about the desirability of changing local government structures.<sup>5</sup> Instead, the committee decided that it should use its limited time to examine other approaches.

We were particularly impressed by one approach to local government size, which was the work done by the Northwest Ramsey County Cooperative Venture Cities. That group, which includes Arden Hills, Mounds View, New Brighton, St. Anthony Village and Shoreview, convened at their own initiative last year. In that group's words:

This new framework [for viewing the delivery of city services] is not about consolidating governmental units. Rather, it is a first look at possibilities in cooperation and collaboration in the delivery of services and a way to look at the optimum size of organization to deliver various public services.<sup>6</sup>

For example, the best size of a police patrol force might be 35 or 40 officers serving a population of 75,000. The optimum population size for other police services, such as bomb squad, vice squad or crime lab, might be much larger, perhaps an entire region.

<sup>5</sup> A 1974 report, *Local Government in a Time of Transition*, recommended encouraging a gradual reduction in the number of cities in the metropolitan area. A few years later, the League board recommended combining county and municipal government in the Twin Cities area. Citizens League, *Knitting Local Government Together*, September 1978. The League's study committee had proposed a different approach: it said that cities should be the unit of general purpose representation, and that elected county boards should be phased out. Services provided by counties would be transferred to the cities (some of which we hoped would consolidate) and possibly to newly-created government service corporations that would sell their services to many cities.

<sup>6</sup> Northwest Ramsey Cooperative Ventures Cities, "An Analysis of Optimization as it Relates to the Size of Local Government Services Delivery Entities," August 1991.

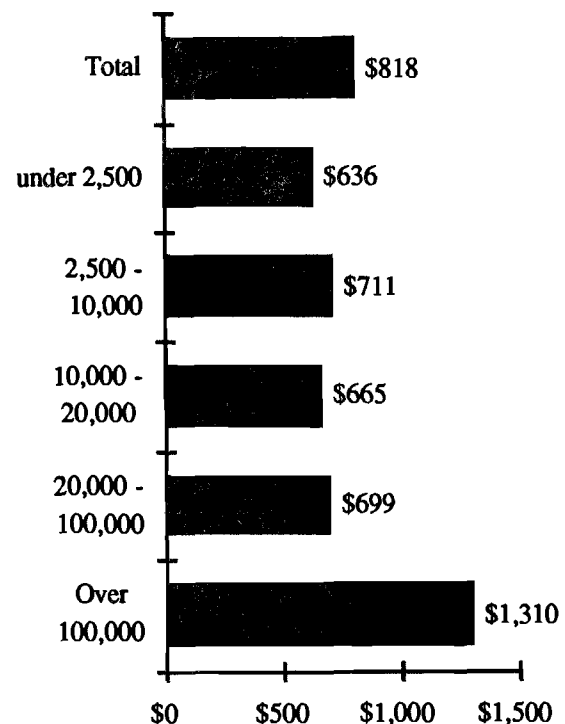
That project, described in Chapter 2, starts with an assumption that the cost of operating many representative local governments is relatively small and that attention is best focused on how services are provided. We found that perspective helpful as we discussed ways to encourage flexibility and creativity in service design and delivery.

Researchers and local officials differ in their analysis about whether there is optimal size for cities. One factor that they point to is how per capita spending by cities in Minnesota varies by their population. Some suggest that because per capita spending is lowest among cities in the 40,000 to 70,000 range, that must be an optimal size for cities. (See Figure 1.1)

Others respond that these comparisons tell more about individual cities of different sizes than they do about what is the optimal size for cities. Twin Cities suburbs of any size spend less per capita than outstate cities of comparable size. Per capita spending by the largest cities (Minneapolis and St. Paul) is much higher than their suburbs and than other regional centers in the state. But these two cities are at the center of a region of 2 million people. They provide services to people who live in the suburbs and in other parts of the state.

Thus, there are no simple answers to the questions of whether there is a right size for cities and whether the state, which creates local governments, should do something to reduce their number.

**FIGURE 1.1**  
**PER CAPITA SPENDING BY**  
**CITIES BY POPULATION SIZE,**  
**1990**



## CHAPTER 2

### SERVICE REDESIGN: PRINCIPLES AND EXAMPLES

State and local governments face a likely future of flat revenues and increasing spending demands. Our committee looked into ways in which local governments could improve productivity and effectiveness by redesigning services. During our study, we heard from many local officials and administrators who have taken innovative approaches to designing and delivering local services. In this chapter, we review the principles of service redesign and describe some of the innovations which impressed us.

#### PRINCIPLES OF SERVICE REDESIGN

As Professor John Brandl told our committee, an important goal of service redesign is to structure institutions so people are oriented to accomplish public purposes better; that is, to be efficient *and* innovative.

During the 1980s, a series of gurus told the private sector what characterizes a successful organization, and why it was important for others to emulate the best firms. In the 1990s, others preach a similar message to the public sector. Many of the principles are the same. They include: emphasizing service to the customer; pushing authority as far down in an organization as possible; creating incentives for employees to be innovative and a focus on quality.

We take what these gurus say with some skepticism. Government *is* different from the private sector. Where private firms can focus on returns to shareholders, the public expects government to fulfill objectives that may conflict. For example, local governments should buy equipment or build roads by picking a vendor or contractor that will deliver a high quality result at the best price. However, government procurement systems must fulfill other social goals. For example, they must provide a share of the procurement dollars to small businesses, or minority or socially disadvantaged vendors.

Nonetheless, we think local governments can benefit from adopting these principles. However, that requires a major shift in thinking, leadership and organizational culture, particularly in some governments. It requires government units to change from being *bureaus* -- organizations that get their funding through an appropriation -- to *enterprises* -- organizations that have to earn their budget, and are rewarded when they achieve their goals or penalized when they don't.

The figure on the next page summarizes some of the points that John James, former Commissioner of Revenue and a principal in the firm of Armajani Hutchinson & James, has made about new ways of thinking about public services. For example, James contrasts a *bureaucratic* approach of an exclusive service mandate with an *enterprise* approach of competition and choice.

Many of the elements of the public sector now seen as barriers to innovation were themselves reforms addressing the corruption and other problems of previous decades. Civil service systems were created to reduce political patronage in jobs. Inflexible procurement systems were started because of abuses in government contracting. The "professionalization" of certain services -- you need a police officer or a

### CONTRASTING A BUREAUCRATIC APPROACH AND AN ENTERPRISE APPROACH: SOME EXAMPLES FROM JOHN JAMES

James' Thesis: *Government bureaucratic thinking, which emerged partly because of a desire to combat corruption, should be replaced with an enterprise approach.*

#### Bureaucratic approach

Focus on organization  
Jobs = roles  
Statute and regulation directed  
Hierarchy  
Rules and procedures  
Manage costs -- inputs  
Exclusive service mandate  
Accountability for administrative process  
Value conformity and consistency

#### Enterprise approach

Focus on customer  
Jobs = outcomes  
Mission directed  
Emphasize teamwork  
Goals and purposes  
Manage value  
Choice and competition  
Accountability for measured outputs  
Value flexibility

social worker to do anything -- reflects (and may have also encouraged) the weakening of the support systems of family, neighborhood and religious community.

John Brandl suggests these tools for service redesign:

**Competition.** Injecting competition into public services would change the current situation in which governments hold monopolies over their services. Examples in the area of education are school vouchers and charter schools.<sup>7</sup>

**Output measurement.** In the private sector, profit and loss statements are succinct statements of results. Governments don't have those, but they could do a better job of measuring what they do.

**Principled oversight.** According to Brandl, legislators do a poor job of exercising oversight over executive branch agencies, partly because oversight doesn't interest them.

**Use of mediating institutions.** We can't afford to hire experts to solve every problem. It would be helpful to make more use of institutions -- families, voluntary organizations, neighborhoods, etc. -- to help solve problems. Political parties used to be effective mediating institutions, but seem to have lost that role.

Babak Armajani, a former senior administrator in state agencies, spoke to us about principles of service design and how they can be applied to government services. (See the box on the next page.) Authors such as Ted Gaebler and David Osborne have discovered a large audience for their proposals on how to "reinvent government."<sup>8</sup> They tell stories of "expenditure control" budget systems where there are no line items. Managers can shift money around when needed, and can carry over surplus funds to the next budget year. Gaebler and Osborne believe that, "Hierarchical, centralized bureaucracies designed in the 1930s or 1940s simply do not function well in the society and economy of the 1990s."

<sup>7</sup> A charter school is an independently organized and administered school that is still a public school. It is not subject to many of the regulations applied to school districts. In 1991, the Legislature authorized the chartering of eight such "outcome-based" schools. A Citizens League report, *Chartered Schools = Choices for Educators + Quality for All Students* (November 1988), recommended that the Legislature authorize the creation of charter schools.

<sup>8</sup> Ted Gaebler and David Osborne, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*, 1992.



## GENERAL ISSUES OF INTER- GOVERNMENTAL COOPERATION

In addition to the Citizens League, several other organizations have been examining issues of how local governments help each other this year. For example, the 1991 Legislature created a Ramsey County Local Services Study Commission and charged it to report on "the advantages and disadvantages of sharing, cooperating, restructuring or consolidating" five areas of local government services: public health, libraries, criminal prosecution, public works and police communications, lab and investigation. (See the sidebar.)

During the early stages of its work, administrators from the suburban cities in Ramsey County assembled a long list of cooperative arrangements already in place. Similarly, the Association of Metropolitan Municipalities (AMM) has surveyed its members and developed a large data base of how its members cooperate. The Metropolitan Council recently launched its own project in the area of service design and cooperation.

Both the Ramsey County and AMM lists show many examples of cooperation among suburban cities. They found fewer cases of cooperation between Minneapolis and St. Paul and their suburbs.

Steve Sarkozy, city administrator for Roseville, suggested to our committee that there is a distinctly different culture of governance for many of the suburbs and the two central cities. He offered the framework on the next page for understanding the differences in the organizational cultures of different cities.

## INNOVATIONS BY LOCAL GOVERNMENTS

During our study, we heard or read about many innovations by local governments. This section describes a few that we think are the best examples of approaches to service design. We commend the local governments that took these approaches and endorse their expanded use.

In this section, we highlight three areas:

- choices for officials;
- choices for users and
- service cooperation

### ARMI ARMAJANI'S PRINCIPLES OF SERVICE DESIGN

1. Make customers -- the direct beneficiaries -- as powerful as possible, through choice, competition.
2. Bring providers and customers closer; create opportunities for transactions, create opportunities for feedback. Equalize the people instead of equalizing institutions, e.g., state aid to students or school districts?
3. Minimize the number of processing steps.
4. Minimize the burden on customers.
5. Focus staff functions on serving customers, and focus state support functions on serving line staff as customers.
6. Push decision making to lowest possible level, closest to the customer.
7. Control ends, not means.
8. Recognize the total cost of controls that are intended to stop fraud and abuse.
9. Make controls dynamic, situational.

### THE RAMSEY COUNTY LOCAL SERVICES STUDY COMMISSION

The commission agreed on recommendations for central administration of libraries in the region. It proposed no consolidation of public health departments, and some functional consolidation of roads.

Most interesting to us were the proposals offered in a dissenting report. The dissenters recommended mandating competitive bidding of a list of services, including certain public health functions, police communication services and a whole series of public works technical and maintenance work. Existing government units would be eligible to bid for the work, but auditors would scrutinize their accounting to ensure that their bid included all costs of service delivery.

Since several county commissioners supported the dissenting recommendations, it will be interesting to watch and see how this progresses.

### STEVE SARKOZY'S VIEW OF THE CULTURE OF GOVERNANCE IN SUBURBS AND CENTRAL CITIES

Issue	Suburban Culture	Central City Cultures
Primary decision making orientation	Business approach	Political approach
Involvement of interest groups in decision making process	Low	High (particularly unions, special interest groups, etc.)
Role of City Councils	Policy making	Policy and administration
Number of existing inter-agency cooperative efforts	High	Low

### CHOICE FOR OFFICIALS

Choices of services and vendors applies to individuals and to government units and officials. As we noted at the beginning of this report, the League has long felt that local government officials need choices in performing their functions.

### Maple Grove Transit

Maple Grove, a rapidly growing suburb in northwest Hennepin County, used to have "end-of-the-line" Metropolitan Transit Commission (MTC) service, providing 150 to 180 rides per day. In the early 1980s, the Minnesota Legislature gave suburbs on the fringe of the metropolitan area the option of "opting out" of the transit service offered by the MTC. They got most of the local property-tax levy for metropolitan transit and could design transit to meet local needs.

Jon Elam, Maple Grove city administrator, described for us how the city exercised its option. It now raises \$750,000 a year in a transit levy. The levy is about 1.25 mills -- property owners in most cities in the metropolitan area pay 1.5 to 2.0 mills. All but 10 percent of that goes to the city, which contracts with the MTC to provide commuter services to downtown Minneapolis. The MTC keeps the 10 percent. Nearby Plymouth also contracts with the MTC for opt-out service.

The MTC was the low bidder to operate the service, although there is little competition. Under the 3-year contract, the MTC provides and operates 12 buses, new models at the time. "Maple Grove Transit" is printed on the buses. The local identity is important and was part of the contract. About 750 to 800 passengers now ride each day.

According to Elam, the community's involvement in design of the system was critical to its success and sense of ownership. The city appoints a transit commission to oversee the service and the contract. All members must be bus riders, and they take their duties very seriously. (Some other opt-out communities operate under joint powers agreements, and elected officials serve on the governing boards.) A part-time coordinator at City Hall handles the city's administration of the contract. The city has spent money to build bus shelters at the Park and Ride lots that it set up at church parking lots.

The program's success is also a problem. The buses are full -- sometimes too full -- yet there is not enough money to add more service. The Maple Grove service still only helps people going to and from downtown. The Regional Transit Board (RTB) sets the bus fare, a very good value for riders. The property-tax subsidy is about \$3.20 per ride and within the RTB guidelines.

The opt-out tax levy reduces the amount of money available for services in the rest of the region. The RTB acknowledged that it could have developed this service, but it has been slow to develop services for outlying communities. However, not all communities are interested in developing transit services.

## USER CHOICE

Our 1982 report on redesigning public services recommended that users of a service determine the content and provider of that service, rather than officials making that decision. Many counties make extensive use of contracting in delivering social services. Hennepin County, at the high end of the range, reports that about 70 percent of its social service budget pays for services through about 800 contractors.<sup>9</sup> However, counties have done much less to put decisions about services and vendors into the hands of users/clients. The example here suggests the benefit of giving clients more responsibility and authority.

### Dakota County account management program

Many programs serving children and adults with disabilities emphasize the role of a case manager. The case manager develops a service plan (with the participation of the client's family and other experts) and is the broker for arranging the services. The case manager identifies what the client needs and determines what the client will get.

In 1990, the Dakota County Department of Social Services launched a small-scale program to serve families of children and adults with developmental disabilities. The program is a small scale effort to see if families can better use and manage public funds. Under the account management plan, families receive a budget for services and have discretion in selecting vendors and services. Working with a county case manager, families entering the program write a service plan.

The program has grown from 12 families in 1990 to 25 in 1991, with an additional expansion planned in 1992. It started by trying to solve the problems of families in rural parts of the county. They had a hard time getting the county's regular vendors to serve them or the service was very expensive. A neighbor could provide the same service, provide it better and cheaper and not go through an agency's scheduler.

As the program expands, county managers are grappling with several issues. For example: what controls must the county impose on the use of funds, while still trying to maintain flexibility? County caseworkers have been very supportive of the program, even though it takes away part of their responsibility.

## SERVICE COOPERATION

Our committee heard of several important examples of suburban communities cooperating with their neighbors. These case studies provide both solid examples of local cooperation and an analytical framework for determining when cooperation is most useful. Even though not all of these cases have proved their success, local governments should take advantage of the examples and the analytical framework and look to where they might make better use of cooperation.

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<sup>9</sup> The proliferation of public and nonprofit service providers in some neighborhoods or suburbs raises a broad issue of service integration and coordination (or the lack thereof), which will provide grist for future studies by the Citizens League and others.

### What is the Right Scale? Northwest Ramsey Cooperative Ventures Cities

A particularly helpful approach to local government service redesign comes from a cooperative venture of five Ramsey County cities (Arden Hills, Mounds View, New Brighton, Shoreview and St. Anthony), Ramsey County and two suburban school districts. Mayors of the five cities had met regularly for informal discussions for several years. Representatives of their city councils, the county and school districts 282 and 621 joined them and began meeting more formally in March 1991.

As an early step, the community representatives weighed and ranked areas of preference to investigate for cooperative programs; top ratings among 19 areas, in the following order, were: information sharing; talent/equipment bank; multi-jurisdictional think-tank; administrative/technical exchange and training and education.

NWRCV also inventoried and analyzed 46 then-current activities (elections, youth services, snow removal, health inspections, code enforcement, planning and zoning, etc.) and found that two or more members already shared in half of these activities in some way, from cooperation to full consolidation. The analysis considered what might the optimal size of delivery units for those functions. An example of the analysis appears below.

SERVICE OPTIMIZATION PROCESS DISCUSSION WORKSHEETS: AN EXAMPLE <sup>10</sup> Ramsey County Cooperative Venture Cities			
Function or Service	Current Level of Effect (FTE)	Demand Trend	Optimization Discussion
<i>Permits and inspection:</i> building, plumbing, electrical and mechanical	Arden Hills	.75	The optimum size of the delivery unit for this function appears to be in the range of 3 to 5 FTEs, with the threshold being 1 FTE.
	Mounds View	1.00	
	New Brighton	1.00	
	Shoreview	1.00	
	St. Anthony	0.50	
	TOTAL	4.25	
<p><b>Initial comments:</b> When dealing with permits and inspections, backup support is crucial because of the essential nature of these employees. This seems to indicate that a cooperative opportunity exists. However, geographical limitations must also be considered. A North Suburban Consortium could be formed which would create a pool of inspectors who would then serve the participating cities' needs. Collaboration in this area will not necessarily save dollars, but it could provide better customer services. Two or more cities could provide better backup capabilities, and two heads may be better than one in interpreting codes, etc. Contracting with other cities is also an option in this area.</p> <p>Mounds View currently cooperates with Arden Hills and Spring Lake Park for building inspections.</p> <p><b>Subsequent comments:</b> Computerization for issuing permits may cause problems between cities. Schooling required by state law would require that all Building Officials be absent at same time up to one week at a time. Administration does differ across jurisdictions; it probably shouldn't, and a consortium would help.</p>			

In addition, the five municipalities' department heads listed special talents, abilities or equipment they believed the city had, plus the special needs of each city. They identified so many functions that they limited this to the top five functions in each municipality. Then they matched abilities and needs,

<sup>10</sup> Excerpted from Northwest Ramsey Cooperative Ventures Cities, "An Analysis of Optimization as it Relates to the Size of Local Government Services Delivery Entities," August 1991. Terrible title, but very good and helpful work.

producing two kinds of functions. First, those in which a municipality with a special ability and one (or more) with a need could work out a direct relationship. Second, common needs in areas where no city has expertise, suggesting the possibility of joint work, such as two or more cities hiring on a shared basis. They found a number of activities in each category.

A report produced by the group comes to several conclusions. First, size and efficient operation are not necessarily related. St. Paul, with about the same population as Ramsey County's 16 suburbs, has an operating budget about three times as large. Similarly, the per-capita expenditures of Minnesota's smaller cities (under 50,000) are less than its larger cities.

In its discussion of the best size for local services, the NWRCV concludes that "bigger is better" and "smaller is better" are overgeneralizations. Rather, some services -- and even some parts of the same service -- can be best provided at the metropolitan or sub-metropolitan level. Others cannot and are better provided at the municipal or neighborhood level. This is a "wholesale-retail" model of services. Metropolitan-level functions -- Metro Council activities, sewage treatment, and so on -- are "wholesale" pieces of government, and municipal functions are the "retail" pieces.

In the policing area, for example, functions such as field services, animal control, routine investigations and school activities are best delivered at the neighborhood/community/school district levels. Functions such as jails, crime lab and dispatching 911 are appropriate at the county, sub-regional or metropolitan levels. Other conclusions:

- When possible, ignore governmental boundaries when looking at providing services.
- Differing value systems and financial resources of communities strongly influence the level and type of services they deliver.
- Success in collaboration and cooperation will be limited unless the parties are flexible and willing to accept change.
- Physical and cultural geography continue to be important.
- It is appropriate for several cities throughout the metro area to reach different conclusions about how to provide services. Results might show that no single approach to service delivery is significantly more cost-effective than another.

### **Consolidation or Sharing? The Falcon Heights - Roseville study**

Roseville and Falcon Heights recently completed a study of the merits of consolidation or increased sharing of services. The study is a step in a process of discussions between leaders of the two cities as well as some service sharing. Roseville already provides police service in Falcon Heights, and it also has a contract to provide city management services in Lauderdale.

To avoid any bias associated with city staff doing the study, the cities agreed to hire an outside consultant. The cities did not want to use tax money on a "speculative" study. After searching unsuccessfully for outside funding for the study, the cities persuaded the Metropolitan Council to lend \$30,000 at no interest for the study. The loan will be repaid out of expected savings.

The two cities agreed that any changes coming out of the analysis would have to be in their mutual interest. The results are not as dramatic as the cities hoped. The consultants projected that expanding service sharing and contracting between the two cities would save about \$900,000 over five years. A complete consolidation of the two suburbs would save \$1.8 million over five years. Those savings would result primarily from merging staffs in the administration, parks and recreation and public works functions. That amounts to about \$5 per household per year.

Each option has its own set of challenges. For example, development and administration of shared service contracts is time consuming. Under consolidation, the residents of Falcon Heights lose their

sense of community identity. They may prefer to give up the \$5. How deep the attachment to Falcon Heights or any other community actually runs would be an interesting question for future study.

The issues raised in this example are unresolved now. Even so, we think it is noteworthy that city leaders initiated such a study process.

### **County as Service Vendor: Washington County**

Washington County has contracts with nine small cities to provide police services. The cities specify the level of service they want and then pay the going rate.<sup>11</sup> Similarly, the county provides street maintenance service to cities under contract. Again, the cities specify the standard.

The county has developed an arrangement with the state Department of Corrections. The state has two large facilities near where the county is building a new jail. The county and the state share training for correctional workers. Other counties or cities located near state prisons could do the same.

Washington County also helps cities use its equipment purchasing contracts, and Washington County can buy some goods through the contracts that Hennepin and Ramsey County and the state have developed. The county allows cities and firms to dial in to computerized property ownership and tax records. As an enterprise, it also markets computer software developed and used in its departments.

### **Joint operations: Northwest Hennepin County animal control**

In the fall of 1991, seven Hennepin County suburbs established a joint animal impound facility. The project, known as PUPS -- Pets Under Police Security -- was initiated by Champlin, Brooklyn Center, Brooklyn Park, Maple Grove, Crystal, New Hope and Plymouth. The cities divided the \$700,000 cost of opening the facility in Maple Grove. Those cities continue to have their own animal control officers.

### **Service Bureaus: LOGIS**

LOGIS is a computing service bureau for local government units which organized it as a joint powers agreement agency. It was formed in 1972 with seven local governments as members. According to its director, Mike Garris, one strength of LOGIS is its governance. Groups of users work closely with the staff to assess the quality of systems and the need for new ones.

It provides a full range of administrative computing services to its members. LOGIS operates out of a central site and through some distributed processing centers. LOGIS is now working on strengthening network services, allowing E-mail and file-sharing among the participating cities. Sharing of information, such as for police inquiries, has the potential for savings and better service.

Counties and cities that can afford to spend more often prefer to buy customized computer systems, rather than rent "one-size fits all" systems from LOGIS. LOGIS attracts its members from cities that will work collectively and plan for data processing across departments. Many rural counties participate in another joint data processing group. All school districts are required by law to belong to one of eight regional data processing centers, although some operate their own systems.

Data processing and communications are key issues in any discussion of service design. Counties and some cities are part of several statewide systems, such as welfare, courts management and criminal justice. Most of these systems are quite separate at the state level, and therefore, not unified at the local level.

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<sup>11</sup> Questions have been raised about whether the price set for the services actually covers all of the county's costs of providing the service.

## CHAPTER 3

### RECOMMENDATIONS

In Chapter 1, we saw how local governments are caught between powerful, conflicting forces. From one side, they face increases in the demand for and cost of services. They must also work with citizens who have high expectations for service. Citizens are already concerned about the burden of taxes that they bear, and are unwilling to pay more in taxes to maintain their current level of service. Besides questions about the affordability of services, citizens also are questioning the value received for the money spent.

We defined the problem faced by local governments as how to find ways to maintain and increase effectiveness, productivity and responsiveness, without raising taxes. The state must face this issue, regardless of its future economic outlook.

In Chapter 2, we saw many examples of local governments doing their jobs well. Talented managers and far-sighted elected officials work together to launch innovations, create incentives for employees and managers and provide choices to consumers and officials. Individuals and neighborhood groups make smart choices and help guide officials in designing services. Clearly, though, these things are not happening everywhere.

What are the impediments to local governments doing their work differently and better? Here are some key barriers:

- **Misplaced incentives and motivation.** Local officials are often working with a framework of motivation and reward in which incentives are absent or encourage the wrong result. For example, if officials don't spend their budgets by the end of the year, they may not carry over the surplus to future years. Nor may they invest it in ways of improving service. In another example, under Minnesota's system of property-tax levy limits (scheduled to be removed), a county has an incentive to set its levy at the upper limit, since that creates the base for increases in future years.
- **Lack of flexibility.** Local officials often lack flexibility in identifying their responsibilities and how they should carry them out. This lack of flexibility is seen when the state delegates service responsibilities to local governments. Too often, these mandates emphasize following with a detailed prescription for *how* things are done, not a shared vision of *what* should be accomplished.
- **Lack of evaluation.** They may often lack a formal way of evaluating the results of their services and communicating that information to citizens.
- **Lack of opportunities for citizens.** Citizens, in turn, lack tools and opportunities to hold their local government accountable and to encourage innovative approaches to service delivery.

For years, the Citizens League has pushed a series of ideas for improving government operations. We have talked about the importance of elected officials focusing on policy responsibilities -- *deciding* what should be done and having choices for how those decisions should be carried out. For example,

counties have responsibilities for delivering an array of social services to targeted populations. Even though social services is an area closely circumscribed by state (and sometimes federal) rules and policies, county commissioners have choices. They can choose to hire staff to provide those services. Or they can develop arrangements with others, including private agencies and other units of government.

The League has also spoken of putting additional responsibility and authority into the hands of service users. Citizens are consumers of service. Local governments are also consumers when they contract with other governments for service, or when county or regional agencies provide the service.

The recommendations in this chapter are intended to help local officials overcome the obstacles they face and to provide them with incentives, tools and ideas so that local governments, working with their citizens, can meet the challenge of becoming more productive and responsive. We think that these proposals create powerful external incentives for local officials to seize opportunities for improvement. That doesn't mean that we have given up on more traditional internal incentives for improving performance, such as linking compensation and promotion of individuals with performance. However, we are most interested in seeing that these external incentives are tried.

We propose giving cities, neighborhoods and individuals new *opportunities for managing service budgets* and becoming savvy buyers of services. To open up new choices of service vendors, we recommend that local governments *turn their operating departments into enterprises* that could serve public customers all over the region. In addition, we would give local governments additional flexibility in how they design and deliver services for which they share responsibilities with state agencies. These arrangements would *emphasize results*, not compliance with processes. Finally, given this increased emphasis on results, we propose that the state get in the business of regularly *measuring the value received* for money spent by local government.

## RECOMMENDATION: CREATE NEW OPTIONS FOR MANAGING SERVICE BUDGETS

In Chapter 2 we saw examples of individuals and local governments exercising options to organize their public services in a different way. In each case, the change was made on a small scale: a few dozen families managing a service budget for a child with developmental disabilities or a few cities contracting for bus service. However, these examples represent an enormous potential for positive change. Through the processes described, there is a basic shift of power from the current authority to the consumer. When these arrangements work, the consumer (individuals and local governments, alike) has the power associated with managing a budget and is treated like a valued customer.

We recommend:

- ☐ Local governments, neighborhoods and individuals should have additional opportunities to manage service budgets as a means of improving service delivery.

Our premise is that, in many cases, dollars now spent for services can be spent in different ways that will improve the delivery of services. In each case, we assume that the change would have to be budget-neutral; that is, changing how the service was organized or delivered will not cost more than is now spent. *In our view, introducing these options, even if they were rarely exercised, would create significant incentives for local officials to improve services. They will want to keep people satisfied within the system.*<sup>12</sup>

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<sup>12</sup> Consider charter schools: a group of the best teachers comes to a school district superintendent to propose a different program. The superintendent can work with them and keep them inside, or risk that they will leave to set up a charter school.



These new opportunities can take place on several levels. For example:

- *Local governments* should be given increased options for managing funds now designated for a certain service and controlled by other units of government. The local government, working closely with citizens, would design the service, select the vendor and manage the service budget.

Suburban transit provides a good example of how local governments can develop a new relationship with a regional agency like the Metropolitan Transit Commission. The close involvement of citizens, particularly those using the service, helps make the approach successful.<sup>13</sup>

The Maple Grove Transit example also raises interesting questions about the possible next steps in enabling local governments to manage these service budgets. For example, the fare for the daily commuting service is a bargain. What if Maple Grove (and the other cities who have opted out) could increase the fare and use the funds generated to start an internal circulator service or a west metro crosstown route linking Plymouth, Eden Prairie and cities in between?

- *Neighborhood-level organizations* should have options for managing the funds designated for a certain service, including the authority to design the service and select the vendor.

In past reports, the League has recommended that cities foster the development of neighborhood service delivery models.<sup>14</sup> Now we propose that neighborhoods should be able to petition a local government for the opportunity to manage part of a local service budget. Currently, no framework exists for citizens to petition for additional responsibilities over a local service budget. Local governments have no incentive to encourage such proposals.

The issue is whether neighborhoods could provide the service better or could buy it better than the city is already doing. There are examples in this area of neighborhoods organizing services. For example, neighborhoods in St. Paul have been successful in purchasing refuse collection services and in organizing alley snow-plowing.

Our committee heard from the Whittier Alliance (of Minneapolis) about its ideas for taking the money now spent on Whittier Park and using it to design and provide park programs. Perhaps the neighbors would develop a contract with the Park Board or consider other vendors. Perhaps volunteers would take some responsibilities for organizing programs and maintaining the park.<sup>15</sup>

#### AN EXAMPLE OF HOW CITIES MIGHT MANAGE BUDGETS

In the past 30 years, most of the criminal justice system in the Twin Cities area, including the courts, the jails and the detention settings, were transferred from the cities to the counties. Only police forces stayed in city government. When the functions were transferred, money coming from the state or local taxes to support those services was also transferred, leaving the cities as "captive" customers.

Could these cities be given a budget to purchase any or all of this array of services? Maybe they would continue to use their respective county as the vendor. But, maybe they would see if other counties could provide the services on a more effective or more economical basis.

<sup>13</sup> A *StarTribune* article on the suburban bus operations quoted MTC administrator Mike Christenson as saying that the success of the suburban routes shows that local control and community support strengthen the transit system. April 21, 1992.

<sup>14</sup> A 1983 Citizens League report, *Homegrown Services: The Neighborhood Opportunity*, explored ways in which neighborhood residents could be involved in producing, arranging or purchasing services at the neighborhood level. It also identified some potential barriers to expanded neighborhood-based services, including legal/institutional issues, the lack of a responsible party to organize and arrange the service and concerns about ensuring equitable distribution of services. The report provides several excellent examples of neighborhood level services, many of which are still current.

<sup>15</sup> Parks may be seen as a benign example for shifting authority to neighborhoods. What if a broad-based neighborhood group wanted to exert more influence over how their local streets were maintained?

Another example: Some programs serving families with young children, such as WIC and Early Childhood Family Education, do not do a good job of serving families from minority communities. What if community organizations had a budget to design and manage those programs at the local level?

Creating opportunities for such neighborhood-based initiatives requires some rules or structure; obviously not just anyone can come in to scoop up some money. If this is to be a useful option, the local government can't be a gatekeeper with all authority for approving or rejecting the neighborhood's proposal. One approach would be for the Legislature to set the ground rules for what is a viable proposal. Examples of ground rules might be that the "petitioners" represent an established neighborhood or community organization or must show viability in other ways. If the petitioners satisfy these ground rules, then no additional permissions would be required. Or, the Legislature could direct local governments to set their own ground rules.

If local governments play some gatekeeper role, they should not have the absolute last word. The Legislature should create some form of appeal. If a city rejects a proposal by a neighborhood, the petitioners should be able to appeal to a designated state office, or to enter into a mediation or arbitration proceeding.

- *Individuals* should have options for taking funds designated for a certain service and managing a budget where the individual has designed the program and selected the vendor.

An example of this approach is the Dakota County account management program for families of persons with developmental disabilities, described in Chapter 2. In our view, this approach represents an important shift from the case management model which is so widely used now. In many service systems, government (or private) case managers design a service plan and broker the services from other staff and private vendors.

## RECOMMENDATION: DEVELOP PUBLIC SERVICE ENTERPRISES

An important way to expand choices for elected officials is to reinforce the basic distinction between local governments *deciding* and *doing*. We propose to create new opportunities for local governments to shed some of their operating responsibilities and operate as sophisticated buyers of services. In addition, we seek to reinforce principles of effectiveness and economy in government that the League has advocated in past reports.<sup>16</sup>

We recommend:

- ☐ Local governments should be authorized and encouraged to transform their operating bureaus into enterprises.

**For example:** A local government unit, such as a city or county public works department, could be transformed into a *public service enterprise*. In turn, city councils or county boards could contract for services with such new entities. In addition, the new enterprise could market its services to other cities, counties or school districts in the area.

Transforming government departments into enterprises builds on the many examples already in place of governments buying services from each other. For example, Roseville maintains the grounds at the schools in the Roseville district. We see this as a very good example of how schools could use different approaches to organizing those administrative and support services that are outside their core responsibility of instruction.

<sup>16</sup> Our most recent report on this theme: *Remaking the Minnesota Miracle: Facing New Fiscal Realities*, October 1990.

The purpose of creating this contracting option (or any contracting option) is not to pay less for services but to provide services more effectively. In setting up enterprises, local governments should give them additional flexibility and significant responsibility. Thus, when civil service systems or procurement requirements create obstacles to effective operation, enterprises should be freed from those constraints.<sup>17</sup> In developing contracts, the local governments should set performance measures and provide incentives for superior performances. Our goal is that local governments could choose from several competing enterprises (or other local governments) in carrying out their functions.<sup>18</sup>

Public service enterprises might be single-purpose, for example, providing computer services. Or, they might serve several purposes.<sup>19</sup> Both cities and counties could spin off their departments to create public service enterprises.

Several models of governance and ownership for these enterprises are available. For example, the employees could own and manage the enterprise. Outside ownership is a second option. Or, a local government, or a group of local governments could own it. In order to promote competition, we think it is preferable that the users not be the owners.<sup>20</sup>

## EXAMPLES OF ENTERPRISES

There are several interesting examples in Great Britain and the United States of transforming government operations into enterprises. During the 1980s, the Conservative government launched a project called "Next Steps." Its purpose was to transform large portions of the executive-branch, public service responsibilities of government into self-contained agencies. Strong executives will head these new agencies, with broad discretion over staffing and budgets and clear performance targets.<sup>21</sup>

About 35 percent of Britain's 570,000 civil service work in agencies would be transformed into these enterprise agencies. The project started on a small scale in 1988 and 1989, but in 1990 it began to take off. The employment service, with 34,000 employees in its job centers and unemployment benefit offices was transformed into a new agency. The social security benefits services was scheduled to follow in 1991.<sup>22</sup>

MECC -- the former Minnesota Educational Computing Consortium -- provides an example of an enterprise created as a joint powers agreement agency and later taken private. MECC was involved originally in developing and operating administrative computer systems. It found its real niche in writing and selling instructional software.

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<sup>17</sup> As we offer this proposal, it is important to note that our intent is not to create opportunities for local governments to avoid complying with certain public policies, such as comparable worth requirements. Where useful, such mandates should be incorporated as a performance measure of any contract.

<sup>18</sup> A 1987 report by the Advisory Commission on Intergovernmental Relations reports on the results of studies of contracting arrangements by cities. "The Organization of Public Economies," December 1987. The researchers cited find that cities save money when they contract out less than 25 percent of their activities. Once above that level, it seems that any gains from the contracting go to increased service provision, not decreased spending. A study of public protection contracting in California found that cities wanting a relatively low level of service did well by contracting, but those that want a higher level of policing are better off producing for themselves.

<sup>19</sup> Note that LOGIS is created as a joint powers agreement agency by its member governments.

<sup>20</sup> Although local governments can spin off operating responsibilities, they still need to manage those contracts. Of course, it is possible to hire management companies to do just that.

<sup>21</sup> See "Getting Down to Business," *The Economist*, March 31, 1990, page 57.

<sup>22</sup> In another change during the 1980s, public bus companies and sewer/water operations in Great Britain were ordered reorganized as for-profit, competing corporations.

## ADVANTAGES

We see several advantages of the public enterprise approach:

- Creating these enterprises would allow local officials to shed some of their operating responsibilities and focus their work on policy making. They would also have a choice of competitive providers. Given the opportunity, local governments will make good buying choices.<sup>23</sup>
- Because they have to earn their budget, managers and employees of these enterprises would have incentives to adopt a consumer-service orientation.
- Governments could more easily unbundle services, identifying those which are best provided on a larger scale. As we saw in Chapter 2, public protection can be viewed as a whole series of services.

### AN EXAMPLE FROM THE WEST

An intriguing American example of government bureaus transformed into enterprises comes from San Francisco. In the 1970s, a charter amendment authorized the Board of Supervisors to contract for services where it found that an outside supplier could perform the function more effectively.

A few years later, the head of the budget office created a new business corporation. The new corporation contracted with San Francisco to provide budget analysis services. Under renewable one-year contracts, the firm provides all budget services in exchange for a fixed fee. Eleven other members of the office gave up their civil service protections to join the new venture. Since then, the new firm also entered into contracts with other cities and counties in the area, and the staff grew from 11 to 23.

It may be useful to move toward this goal in a series of steps. For example, local units might begin this process of transforming bureaus into enterprises by contracting with an internal department for certain services. This may result in less political resistance to the change.

*If public enterprises are such a good idea (and we think they are), why aren't there more examples in Minnesota?* Part of the answer is inertia and a lack of incentives to change. However, we think the growth in public frustration over the cost and effectiveness of public services is likely to create a strong external incentive for local officials to explore these options. At the same time, public enterprises could be structured to create internal incentives for employees to want to work in more entrepreneurial organizations.

## RECOMMENDATION: ALLOW LOCAL GOVERNMENTS TO CHOOSE RESULTS-BASED REGULATION

In many service areas, local governments are the final delivery point in a state-local service system. Over the years, a complex system of mandated procedures has been created in some of these areas. For example, if a county is providing services to a child with developmental disabilities and severe behavior problems, it will go through a series of planning processes. In each, it assembles interdisciplinary teams to develop different individualized plans for how to serve the child's various special needs. The

<sup>23</sup> For example, our committee heard how Ramsey County was concerned that the state had limited options for serious juvenile offenders, reducing the size of the Red Wing program, and steering juveniles to Sauk Centre. Ramsey was not happy with that arrangement and now sends some juveniles to a private, nonprofit facility in South Dakota. It is very pleased with the costs and results of that arrangement.

various individual planning requirements have grown up separately as the Department of Human Services has adopted a series of administrative rules that are not cross-referenced. Similarly, the state provides funding in areas such as children's mental health, through a series of small categorical grants, each with its own application, monitoring and reporting requirements.

Because of this focus on *process* -- doing things right, less attention is paid to *results* -- doing the right thing. In those cases where local government is carrying out those shared responsibilities (including most mandates), we propose providing those units with significant flexibility to craft a new kind of relationship with the state.

There are several models in place for granting additional flexibility to local units, such as allowing them to seek waivers from certain administrative rules. We would like to build on those models. Introduction of a contractual relationship would help state-local relationships in these areas to evolve to a more productive level.

We recommend:

- ☐ Local units of government and state agencies should develop contract relationships that focus on results. Such agreements would give the local unit significant flexibility for how it reaches those goals.

The local unit and the responsible state agency could negotiate a contract (or a series of contracts) which would specify performance standards and expected results. If the state or federal governments mandated that service, that obligation would not change. In addition, while most administrative restraints would be removed, appeal rights would continue.

Social services provide the clearest example of where results-based regulation might apply. (See the sidebar on the next page for a recent development.) It is a heavily regulated area with complex planning and reporting requirements, where local funds usually account for the bulk of the spending. However, there are many other possible examples in areas such as education, licensing and inspection functions. For a variety of service areas, local government should have choices. Either they can work under the current regime of administrative rules or they can choose a more "entrepreneurially-friendly" system based on performance standards and results. School districts in Maryland have such a choice.

In Minnesota, the State Board of Education provides an example of the waiver of regulations model. The Board is now developing an outcomes-based standard to specify the competencies that a student must demonstrate to graduate from a Minnesota public high school. The Board would adopt that standard in administrative rule.<sup>24</sup>

Even now, the Board is trying to encourage school districts to take an outcomes-based approach to educating their students. To encourage local school districts in that direction, the Board has devised a process for waiving state regulations for school districts that show they need more flexibility to implement an outcomes-based approach to education. In considering requests for rule waivers, the Board asks how granting the waiver will promote improved learning and educational effectiveness. It also looks for evidence of community involvement in the proposals. Waivers for state board rules have been granted for 14 districts, and 13 other districts are now seeking waivers.

In October 1990, the state board agreed to waive a series of state rules for the Rochester district for a five-year period. It required annual reporting to the state on those waivers. Among the rules that were waived at the request of the Rochester district: state rules require that the minimum length of a school day for each pupil be six hours. The district proposed a flexible schedule in which a student might take more than six hours of classes on some days and less on others. In addition, the school district asked for authority to develop outcome measures to replace the state mandated high school curriculum.

<sup>24</sup> In 1992, the Legislature passed a law which delays adoption of the state board rule on outcome-based education pending the results of a study.

Waivers to other rules allow the district to have teachers teach in areas besides those for which they are licensed and teach more than the current maximum assignment of subjects in a school day.

The success or impact of waiving rules for the Rochester district and other districts is not known yet. Even so, we think that it suggests a useful model for the state and local governments to use in other situations.

## ADVANTAGES

One likely benefit of this approach is to enhance accountability of local officials. They are making and implementing policies on the local level and have committed to achieving certain results. Mandates sometimes illustrate a disturbing tendency in government to point to collective responsibility, i.e., "we are doing this because the state mandates it." This reduces the accountability of local officials.

In addition, shifting to a results-based system of regulation also has potential for increasing the effectiveness and economy of local governments.

## RECOMMENDATION: CREATE A "VALUE FOR MONEY" AUDITING FUNCTION FOR LOCAL GOVERNMENTS

The state should fill a gap that now exists in its performance auditing capabilities. The figure on the next page shows how government auditing responsibilities are divided in Minnesota. No office is fully charged to evaluate the performance of local governments. The State Auditor -- an elective office -- conducts or supervises financial audits of *local* governments. The Legislative Auditor (appointed to a term of office by a legislative commission) is responsible for evaluating the programs of *state* agencies and conducting financial audits of their books. In addition, that office will sometimes follow the money that goes from the state to support locally operated programs and evaluate those programs.

We recommend:

- ☐ The Legislature should direct the Legislative Auditor or the State Auditor to develop and implement a program of "value for money" auditing of local governments.

We have no preference for which of the two to choose. The State Auditor already has a working relationship with local governments, while the Legislative Auditor has developed expertise in performance auditing.

## SOCIAL SERVICES CONTRACTING

Our recommendation is very similar to the social services contracting proposal included in H.F. 2420, introduced in 1992 by Representative Wayne Simoneau and Senator Don Samuelson. The Legislature passed that bill, an initiative of Anoka County.<sup>25</sup> The new law authorizes six counties to participate in pilot projects "to demonstrate the use of intergovernmental contracts between the state and the counties to fund, administer and regulate the delivery" of social service programs.

Under the new law, the county would have broad discretion in how it achieved specified results and would be largely freed from having to comply with the administrative rules and manuals that govern those programs. Where state funds come to the local government from many different sources, as is the case with mental health services for children, the local unit would have additional flexibility to pool those funds and spend them in ways consistent with the contract.

The state Department of Human Services will monitor compliance with the terms of the contract and would evaluate the results of the arrangement. If a county does not meet the obligations of its contract, the state has one obvious remedy, namely, returning that county to the normal regimen of regulation.

<sup>25</sup> Minn. Laws 1992, Chapter 513, Sec. 42.

The local government performance auditing office would assemble data produced by local units and develop comparative statistical profiles. These would make the state's "Truth in Taxation" hearing process a much more meaningful exercise. Citizens would have reliable information comparing their units with others.

The office would also conduct in-depth studies. For example, one year it might examine how well local governments are operating their hospitals and nursing homes or diversion programs for juveniles. We think that directing one of the existing offices to expand its role into local government performance reviews would provide invaluable assistance to the Legislature, the local governments and the citizens of the state. That assistance would be well worth its cost. The Audit Commission of Great Britain provides a model for how a program of performance auditing can be valuable.<sup>26</sup>

FIGURE 3.1 GOVERNMENT AUDITING RESPONSIBILITIES		
	Local Governments	State Government
Financial audits	State Auditor	Legislative Auditor
Performance/ program evaluation	?	Legislative Auditor

Each of our recommendations for redesigning services assumes that citizens and their local officials will have good information about what services are provided, the costs of services and the quality of the outcomes. They also need to compare that information with what is done in other cities or counties. For example: local governments maintain thousands of miles of streets, and their crews patch thousands of potholes each year. Information is needed to determine when a neighborhood proposal to manage street maintenance should be granted, or to help a local government compare proposals from pothole patching enterprises. Inquiring minds will want to know: What is the unit cost of patching a pothole? How long did the patch last? How does that compare with the performance of pothole patchers elsewhere?

We recommend:

- ☐ The Legislature should direct development and implementation of a performance accounting system to be used by local governments.

Soon after a local government performance auditing program is launched, we expect the auditors will find that the information generated by local governments is inadequate to make useful comparisons. Indeed, we feel strongly that citizens in general don't have ways of evaluating the services provided by local governments.

School districts and counties have long used uniform, multi-dimensional financial accounting and reporting systems with a standard chart of accounts. (The bad news is that a 1990 report by the Legislative Auditor sharply criticized the quality of the financial reporting done by school districts using the UFARS system.)<sup>27</sup> Cities have sometimes been reluctant to agree on a uniform chart of accounts.<sup>28</sup> They now need to build on to that structure a standard method of measuring spending on

<sup>26</sup> The British Audit Commission, established in 1982, provides a good example of how such an organization can be valuable. It has financial auditing responsibilities for all local governments in England and Wales. As part of its financial auditing duties, it views whether the local units had put in place arrangements to ensure economy, efficiency and effectiveness. The Audit Commission's philosophy is to help local units improve "value for money." Its auditors produce annual reports comparing the performance of each local unit with a "family" of similar units as well as in-depth reports identifying the best local practices in delivering public services.

<sup>27</sup> *School District Spending*, February 1990.

<sup>28</sup> Some cities criticized a 1992 report from the State Auditor comparing per capita spending by cities, in part because the comparisons were not based on uniform financial reporting methods.

inputs (labor, trucks, blacktop, etc.) and linking that information with results (500 square feet of potholes patched) and quality -- the patches lasted six months.

We think that citizens have a basic right to know how governments spend public funds, to have measures of the quality of local services, and to be able to compare local government performance.<sup>29</sup> When program results are known, the public won't have to wait for sporadic investigative reports in the news media to find out how well treatment programs for sex offenders are working, or whether job training programs are placing clients in well-paying jobs. Programs proven to be effective should have an easier time getting their budget requests approved.

Better information on program results could also reduce the need for a regulatory approach to oversight of services. Much of that has grown up, in part, because of the lack of information on program results. If the costs of regulation -- both oversight and compliance -- can be reduced, that frees up funds to invest in effective programs.

Turning the quality spotlight on local governments means identifying problems but also celebrating successes. We suggest that Minnesota establish an award for local governments that achieve excellence in delivering or arranging local services. Like the Malcolm Baldrige award given for excellent quality in private industry firms, a state award could be a powerful external incentive for local governments to excel.

In addition, it would be desirable for the state to disseminate actively information about high-quality operations. Working with the various associations of local governments, it could establish a clearinghouse for sharing ideas and providing technical assistance so local governments improve their use of contracting options and develop better outcome measurement and evaluation systems.

## TO SUM UP

Our goal is to create new opportunities for citizens to have influence on local services and to encourage local government officials to focus on policy making and to give them additional flexibility. Wider use of budget management -- opting-out -- provides citizens with genuine power. While internal incentives still hold potential for encouraging local governments to change, we are most interested in testing the possibilities created by external incentives. Providing options to officials to contract with newly-created public service enterprises builds on the successful experience of the many local governments that have shared service arrangements and that contract with each other for services.

By substituting a results-based model for the current regulatory approach, local governments are encouraged to focus not only on doing things right but on doing the right thing. Finally, making any of these approaches work depends on developing the information that enables citizens and officials to know what they have and how it compares.

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<sup>29</sup> Thus, we would apply the requirement for better reporting of performance measures to agencies managed by appointed, not elected, officials. These agencies aren't required to hold Truth-in-Taxation hearings and they operate away from much public oversight.



# **WORK OF THE COMMITTEE**

## **CHARGE TO THE COMMITTEE**

The committee worked in response to the following charge from the Board of Directors:

### **Organization of Local Government Services: Goals and Structures**

Recent proposals to reduce the amount of state-collected revenue sent to local governments for general-purpose aid and property-tax relief have given local governments and others a new reason to reexamine how local governments are organized and how they provide local services. While a proposal to gradually merge the St. Paul Police and Ramsey County Sheriff's departments attracted a good deal of attention this year, this is not a new idea; other mergers have been considered in the past.

Many local governments already cooperate in a variety of ways to deliver local services. For example, local governments in Ramsey County, including school districts, have identified a wide variety of functions for which they have developed formal and informal intergovernmental service agreements.

The committee's first task would be to sort out different statements of the problem. Some argue that the problem here is that there are too many government units in the region and too many layers of bureaucracy, and that this proliferation of governments interferes with efficient delivery of services. On the other hand, others say that the key issue is how to identify the best size of units for delivering different types of services and how governments work with each other. From this perspective, the number of local governments or their population is a less important issue.

A League study in this area would build on work already done by the Jay Kiedrowski fiscal committee. That group examined how state and local government services are organized and financed, and it identified four criteria for assessing those structures: accountability, effectiveness, economy and equity. Furthermore, that committee suggested that local governments examine how they deliver services.

The committee should consider how each of the four criteria apply to the organization and delivery of local services. While it will analyze approaches that emphasize achieving economies of scale by centralizing functions, it should also consider other goals and criteria. In particular, it should also consider the equity goal of ensuring access and should identify situations where it is desirable to involve local residents in service development and delivery. This analysis may lead to recommendations to decentralize delivery of certain services to neighborhood levels.

Using specific local government services as examples for study, the committee should examine these research questions:

- When is it desirable to restructure delivery of certain public services through centralization of those services or even consolidation of local units of government?

- When is it desirable to decentralize service delivery responsibilities to a neighborhood or other smaller unit?
- When is it desirable for local governments to contract for services, either with other governments, with a metropolitan area service bureau formed by local governments or with private organizations?

The committee should develop criteria for identifying situations where any of the above alternatives is desirable. The committee should consider issues such as quality of service delivery, distance from citizens, the desirability of maintaining local identity, potential economies of scale and ease and likelihood of implementation. It should discuss how responsibilities for identifying when restructuring is desirable and for implementing those changes should be divided between state and local governments. In general, the committee should not focus on governments and services in Ramsey County, which are already the subject of several similar reviews.

## COMMITTEE MEMBERS AND MEMBERSHIP

The committee met 24 times from October 16, 1991 to May 20, 1992. Under the leadership of co-chairs Larry Bakken and Bill Blazar, these 27 Citizens League members participated actively in the work of the committee.

Duane C. Bojack  
Curtis K. Carlson  
Charles Coskran  
Alfred M. Dees  
Bright M. Domblaser  
Linda Ewen  
Jan Feye-Stukas  
Lynn Gitelis  
John Harrington  
Linc Hudson  
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Patrick R. O'Leary  
Edward C. Oliver  
Mark A. Pridgeon  
David O. Renz  
Robert Rohlf  
Phillip D. Ruggiero  
Irma Sletten  
Robert A. Walker  
Suzanne Zorn

## SPEAKERS TO THE COMMITTEE

During the first part of its work, the committee heard from these presenters:

Joel Alter, Legislative Auditor's Office  
Armi Armajani, Armajani Hutchinson & James Inc.  
John Brandl, Humphrey Institute  
Julie Brunner, Anoka County Human Services Manager  
Dave Childs, New Brighton City Manager  
Stanley Cowle, former Hennepin County Administrator  
Earl Craig, Neighborhood Revitalization Program  
Jon Elam, Maple Grove City Administrator  
Joan Fabian, Ramsey County Community Corrections Director  
Darin Florenz, Bryant Neighborhood  
Mike Garris, LOGIS  
Susan Hanson, Dakota County Social Services  
Judith Hollander, Regional Transit Board

**Dan Hoverman, Mounds View District 621**  
**Peter Hutchinson, Armajani Hutchinson & James Inc.**  
**John James, Armajani Hutchinson & James Inc.**  
**Dwight Johnson, Shoreview City Manager**  
**Kevin Kenney, Hennepin County Associate Administrator**  
**Lisa Kugler, Whittier Alliance**  
**Dr. Burt Nygren, Mounds View District 621**  
**John Ostlund, Mounds View District 621**  
**Dr. Marl Ramsey, Osseo District 279**  
**Robert Rohlf, Hennepin County Library Director**  
**Steve Sarkozy, Roseville City Administrator**  
**Jerry Serfling, AFSCME Council 14**  
**Chuck Swanson, Washington County Administrator**  
**Donn Wiski, Resolution, Inc.**

*The League thanks these people for their valuable contributions of time and expertise. Titles and affiliations are as of the time of the speaker's appearance before the committee.*

## **COMMITTEE STAFF**

Allan Baumgarten prepared this report. Dawn Latulippe and Joann Latulippe provided staff support to the committee.

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## WHAT THE CITIZENS LEAGUE IS

The Citizens League has been an active and effective public affairs research and education organization in the Twin Cities metropolitan area for 40 years.

Volunteer research committees of League members study policy issues in depth and develop informational reports that propose specific workable solutions to public issues. Recommendations in these reports often become law.

Over the years, League reports have been a reliable source of information for governmental officials, community leaders, and citizens concerned with public policy issues of our area.

The League depends upon the support of individual members and contributions from businesses, foundations, and other organizations throughout the metropolitan area. *For membership information, please call 612/338-0791.*

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Citizens League



708 South 3rd Street, Suite 500  
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### *Join the Citizens League and help make things happen*

#### IMPACT

Being a member of the Citizens League means you care about what happens in Minnesota and believe that good public policy depends upon an informed citizenry. League members can join citizen research committees that help to shape public policy. Membership also offers these additional benefits:

#### PUBLICATIONS

- *Minnesota Journal* — 22 issues a year of timely public affairs news, analysis and commentary, including the League's annual property tax survey.
- *Minnesota Managed Care Review 1991* -- Important information and analysis for people working in Minnesota's dynamic health care marketplace.
- *Minnesota Homestead Property Tax Review 1991* -- The League's annual analysis of residential property taxes in the Twin Cities area and other Minnesota cities.
- *Public Affairs Directory* — a handy listing of agencies, organizations and officials involved in making and implementing public policy.
- *The School Book* — a comprehensive guide to elementary schools in the Twin Cities.
- *Citizens League reports* — full reports and statements on topics studied — free copies are a benefit of membership.

#### MEETINGS

- *Mind-Opener breakfast meetings* — every Tuesday from Labor Day to Memorial Day, public officials, community and business leaders discuss and debate timely issues.



*Public affairs  
research and education  
in the Minneapolis-St. Paul  
metropolitan area*

**Citizens League**

**708 South 3rd Street  
Suite 500  
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