

The City's Economy

Plan for Prosperity

THE CITY'S VISION.

Residents and business owners envision the city as a pleasant and prosperous place.

ORGANIZATION OF THE CITY.

The organizational model of the city is designed to integrate the City's four operating functions and the four administrative functions.

A. The **Operating Functions** are:

- **The Economic Function** designed to generate income and to accumulate wealth for individuals, institutions, governments and businesses.
- **The Social Function** designed to promote the health, safety, welfare and education of each individual and organization in the city.
- **The Built Environment Function** designed to build the city's physical assets to complement its social and economic functions.
- **The Natural Environment Function** intended to preserve and enhance the natural resources essential for life, namely water, air and land.

B. Four **Administrative Functions** overlay the four operating functions:

- **The Legal and Regulatory Function** based on "the rule of law".
- **The Community Engagement Function** to create transparent decision-making.
- **The Performance Evaluation Function** that promotes learning, innovation and collaboration.
- **The Economic and Finance Functions** that ensures the financial viability of the community and city government.

THE STEPS FROM VISION TO STRATEGY TO ACTION.

The focus for operating and integrating the functional systems of the city starts with a community-driven vision that directs the city's strategic plan that, in turn, provides the framework for action.

- **The community-driven vision** is derived from the city's residents and business owners as they discuss and develop a consensus vision for the future.
- **Vision-driven strategy** responds to the community consensus about the future with an overall approach to achieving the desired future with strategic objectives that articulate the basic strategy.
- **Strategic-driven action plans** have tasks, policies, budgets and schedules for each operating and administrative department that directly implement each of the city's strategic objectives.

The visible connection of vision, strategy and action provides purpose to every regulation, every budget and every program of the city.

THE CITY'S OPERATING PRINCIPLES

Every successful city and town incorporates its community-based principles, spoken or unspoken, into its decision-making:

- Vision-driven plans and programs,
- Effective public engagement,
- Collaboration and partnering,
- Comprehensive, long range thinking,
- Competency and transparency,
- Fiscal responsibility and
- Program evaluation.

The City's Economy

Plan for Prosperity

THE ECONOMIC AND FINANCE FUNCTIONS.

Approach. Two inextricably related tasks are required to work in harmony:

- **The Economic Development Plan** focuses on jobs and family incomes; and
- **The City Finance Plan** focuses on the strength of the city's business model and its ability to support city operations and community economic development.

The Economic Development Plan is the vehicle for growing the private economy of the city which constitutes about 85% of all jobs in the community. The plan should be directed by the private sector with the active support and participation of the host city. The private sector, in its own best interests, should be the leader of the efforts to grow the economy of the city and the region. Economic development commissions with private leadership and funding form the basis for this activity.

The city's **Long-Range Comprehensive Finance Plan** is a public sector effort. The city is the responsible agent for providing infrastructure and regulations and therefore the entity to raise and spend taxes and fees and to impose regulations for the public good. The active support of the private sector is important.

Hence, the **Economic Development Plan** and the City's **Long-Range Comprehensive Finance Plan** are really two parts of the same whole. The Economic Development Plan provides the path for growing private jobs and incomes. The Finance Plan provides for operations and capital improvements of the city. Both plans depend on collaboration and mutual respect.

THE ECONOMIC DEVELOPMENT PLAN.

The Economic Development Plan identifies the sources of wealth and income that will be available to private individuals and businesses. The prize is the retention, expansion and recruitment of increasingly profitable businesses with above-average paying jobs.

The Fundamental Ideas underlying the economics of the city are:

1. **The success of the community depends on sustainable flow of money through the private sector.** As the community builds its capital foundation it secures a stream of business income that supports the lifestyle of residents, businesses and communities.

The city's economic base consists of the businesses that provide jobs and incomes for residents, the tax base required for public goods and services and the education system that trains workforce for businesses and organizations, private and public.

2. **Retaining and recruiting employees depends on the city's quality of life.** Job descriptions, personal growth potentials and salaries are primary factors in an employee's mind when deciding to stay in her current job or take another opportunity. In addition, the employee assesses the quality of life in the town.

The quality of the neighborhoods, the transportation system, crime factors, schools, parks and shopping areas are important in her decision making. Taking or staying in a good job in a bad town is a tough decision to ask of people.

The City's Economy

Plan for Prosperity

- 3. Blighted areas must be improved.** Blighted neighborhoods and sections of town are perhaps the major beneficiaries of an economic development plan. Jobs and incomes are foundational to future success of blighted communities. Plans are useful when they focus the sources and uses of funds for physical and social infrastructure, identify training tied to job opportunities and foster communication within the community.
- 4. Business plans for private and institutional enterprises depend on a reliable City Finance Plan.** Enterprises, large and small, have plans for their future success. Some are elaborate, some are intuitive, but every enterprise has an idea about its role and what to do to survive and prosper. Individual business plans rely on information and forecasts about the market for their goods or services; infrastructure provided by the public sector; and their projected tax and fee expenses.

The Strategic Concept for *The Economic Development Plan* for a city to realize its vision of being a sustainably pleasant and prosperous place includes three strategic objectives with action plans underpinning each:

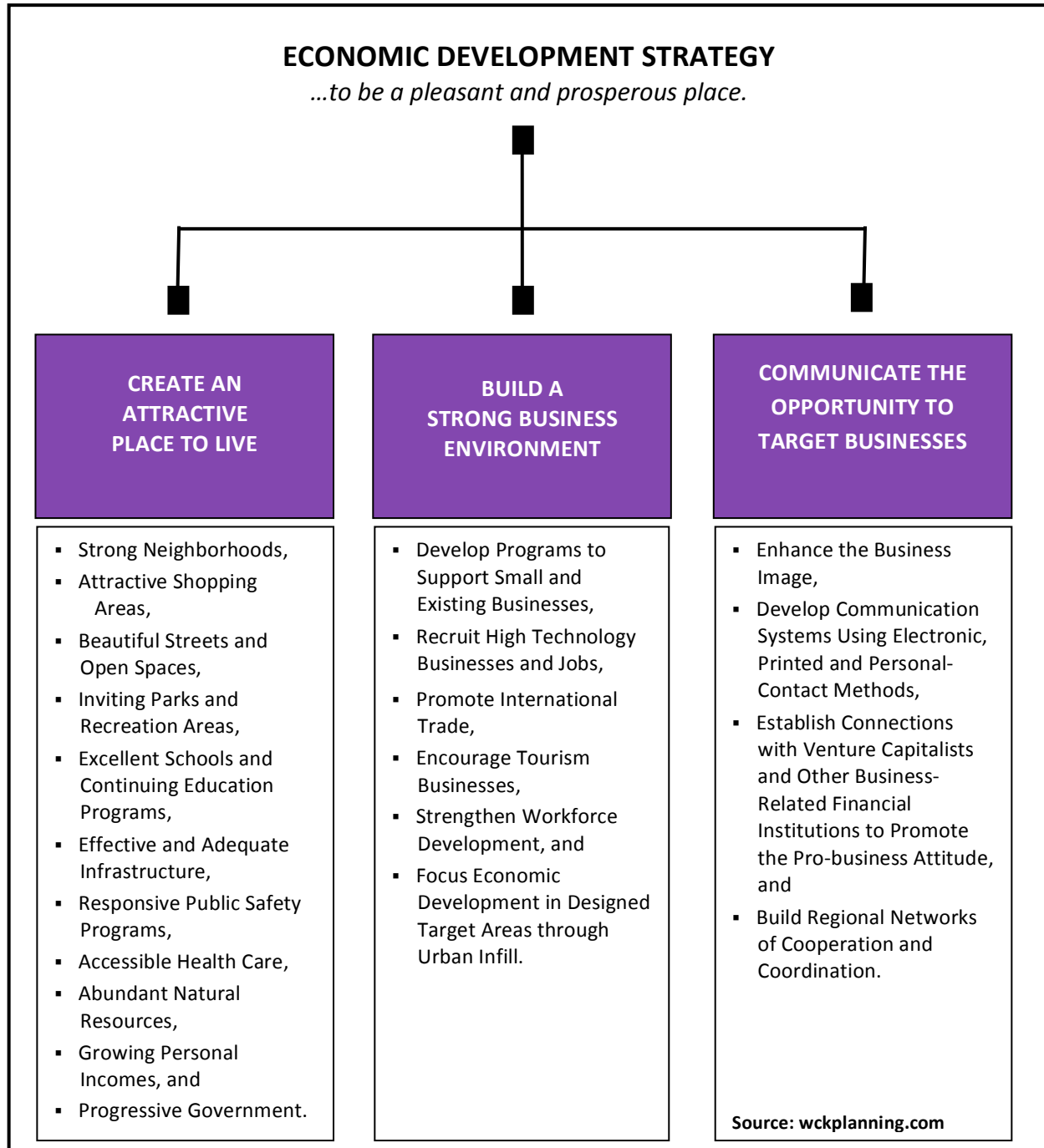
- creating of an attractive place for families to live with a Livability Enhancement Plan,
- building a strong business environment with a Business Retention and Recruiting Plan supplemented with a Workforce Development Plan, and
- communicating the opportunity to targeted businesses with a Business Partnering and Collaborating Plan.

The Elements of *The Economic Development Plan* include:

- 1. A Strong Data Base.**
The city and other public agencies collect and track development data, building permits, utility connections and other information that reflects the existing growth and prosperity of the city. This is useful to the private sector but it is also essential to the city as it prepares budgets and bond documents.
- 2. Livability Enhancement Plans.**
Create an attractive place for people to live. People with choices choose to live in nice places; places where they are comfortable raising their families and running their businesses.
 - Richard Florida's work, *The Rise of the Creative Class*, best describes the community qualities sought by people with high-value skills that can locate anywhere.
 - Since employers are perpetually searching for skilled employees, businesses are locating in places that appeal to "talent".
 - The national designations of the "best places to live" and similar accolades are serious matters to business location experts.
- 3. A collaborative Business Recruiting and Retention Plan.**
A recruiting and retention program is essential to keeping and building a strong business environment. Adding jobs to existing and new businesses enables community growth and prosperity.

The City's Economy

Plan for Prosperity



The City's Economy

Plan for Prosperity

4. Workforce Development Plan.

Developing a trained workforce is the second part of a strong local business environment. Trained workforces are critical to retaining and attracting businesses.

- Special organizations, colleges and high schools, mentoring, incubators and apprentice programs help develop the skills and knowledge required by local economic base industries.
- They are components of the city plan that require studies to determine current and projected skills by occupation. Once determined, this plan can be incorporated into other city, education and private sector plans for employer recruiting and retention.
- Job training programs tailored specifically for local employers is a great way to keep other towns from poaching local businesses.

5. Communicate the Business Opportunity in the City through a Business Partnership and Collaboration Plan.

Since recruiting new businesses is a fundament to every community, all aspects of the city's plan affect this effort. The identification of roles for every local organization with an economic development program is critical. The responsible party for specific tasks may be the chamber of commerce, the economic development office, the airport authority or a department of the city. Collaboration is critical. Periodically evaluating the performance of each player is important.

THE CITY FINANCE PLAN

The City's *Long-Range Comprehensive Finance Plan* provides the financial resources to support the city's operations that provide public goods and services to locally demanded standards. Since the city's first responsibility is to protect and enhance its neighborhoods, significant expense is devoted to this purpose.

However, business retention, expansion and recruitment are essential for the growth and prosperity of the city so resources must also be allocated to support the business community's needs. Most local governments have annual budgets and multi-year capital improvement plans that offer the opportunity for the city to take the long view of their financial position.

Axioms for the Finance Plan

The underlying principles of the *Comprehensive Long Range Finance Plan* are focused on actions to create a strong infrastructure system that is adequately funded, equitably assessed to beneficiaries, encouraging to partnerships and enticing to private investors.

The basic axioms that connect the city's *Finance Plan* to the *Economic Development Plan* are:

1. Adequately fund quality infrastructure to support economic development.
2. Equitably share the costs and benefits among all stakeholders.
3. Promote partnerships that focus on outcomes necessary for businesses and private sector activities to prosper.
4. Encourage and support private, institutional and public investment consistent with the community vision.

The City's Economy

Plan for Prosperity

The Comprehensive Long-Range Finance Plan is the process the city uses to anticipate its long term financial resources and needs on a comprehensive basis; breadth and depth are the order of the day. In some sense, the Finance Plan outlines the business model for the city.

1. It provides the framework to fund, and/or finance, the physical and social infrastructure necessary to establish and maintain a successful community.
2. It responds to the current retreat of public financial resources as the city assesses its capability to provide the public goods and services the community has grown to expect.
3. It is the vehicle for evaluating alternative approaches to public finance be they debt re-structuring, private-public partnerships or the privatization of previously public services.

As a result of pressures to reduce taxes and increase services, more of the burden for necessary and accustomed community services are being foregone or born directly by residents, businesses and property owners through private governments such as “condo” associations and mandatory homeowners associations with their dues, assessments and regulations. Long term thinking is required by the city to respond to this trend.

Annual Budgets consolidate the expenses and revenues for operating the city in keeping with the levels of service that have become accepted. Millage rates and other fees are set to collect the amount of money necessary to fund annual operations and maintain reserves.

Capital Improvement Plans

Funding and financial systems that support the design, construction and maintenance of physical and social infrastructure systems are traditionally the subject of the city's Capital Improvements Plan [CIP]. Comprehensive plans and facility system plans identify facility requirements and the timing for their provision; these usually focus on transportation, utility, park and public building projects.

Preliminary engineering studies determine costs, phasing and design options that enable the constructing jurisdiction to understand the magnitude of the proposed improvement and its relationship to the funds and financing available to the local government. The inclusion of social and economic development expenditures in the traditionally physically-oriented capital improvements planning process will help leverage physical improvements to provide multiple benefits for social capital formation and economic development.

Private Associations with Revenue Raising Authority

Private governments are proliferating; these private governments have revenue raising capabilities, regulations and budgets. The process for determining representation is inconsistent and occasionally troublesome. These private governments exist due to the abdication of local elected governments in assuming responsibility for the provision of infrastructure and regulations suitable to the private communities' inhabitants. Training and oversight of these private “officials” by public agencies will be required.

The City's Economy

Plan for Prosperity

- Homeowners and condominium associations, property owners' groups, improvement districts and special taxing districts are becoming a bigger part of the system for providing what used to be city-provided goods and services.
- Private taxation in the form of dues, fees, assessments, surcharges and other revenue-raising methods are becoming widely used by private governments.
- The public role in these private governments is generally undefined. The obligations of the public entities approving these private communities seems to be:
 - € Early notification to property owners of their new financial obligations,
 - € Financial and leadership skill training for the private managers so they can effectively manage these private governments, and
 - € Oversight to avoid and correct abuses.

Special Districts Plans and Budgets are growing in number, size and breadth of responsibility; they are in essence special – purpose governments. Financial management and community leadership skills are necessary for the managers of these sub-governmental units.

The Community Balance Sheet. The economic function is easy to consider through the format of a wealth-oriented balance sheet. The balance sheet tabulates wealth, or the accumulation of wealth, in terms and measures defined by the owner. The city has assets and liabilities that form the basis for its balance sheet.

Other public and non-governmental organizations also maintain balance sheets. Access and transparency are important attributes for earning community trust.

Wealth includes financial account balances, reserve funds and the present value of physical assets. Measuring the community's financial strength is of unquestioned importance. It serves as an indicator of success and survival.

Qualitative Measures of Community Wealth.

While wealth is most easily measured in monetary terms, there are other assets to consider when tabulating the balance sheet for the community:

- **Quality of life measures:** Quality, though harder to measure than quantity, may be more meaningful. Indicator projects have successfully evaluated a community's progress in preserving natural lands, reducing teen pregnancy and transforming other societal negatives into positives.
- **Community assets:** Natural resources, social networks, peace and tranquility, for example, are all valuable societal assets to record on the community balance sheet.
- **Goodwill:** Goodwill is an important business concept that applies to cities. Goodwill is the measure of trust the community has for institutions that control public resources and regulate private resources. Building and maintaining a hefty balance in the goodwill account enables cities and other institutions to be innovative and expansive without being second-guessed and micro-managed by various "watch" groups.

The City's Economy

Plan for Prosperity

The Community Income Statement. City governments call this their annual budget. It has projected costs and anticipated revenues from taxes, fees, grants and other sources. The income statement is an established tool used by business for measuring revenues, expenses and profits. It is of similar value when evaluating the flow of resources to the economic, social and physical infrastructure systems.

The Operating Plans

Each department in the city has plans, budgets and procedures for operating, managing, maintaining and evaluating the city's infrastructure systems and programs. Streets and drainage, utilities, parks, public safety and a myriad of other activities are provided by the city. Operating plans also exist for special districts, public authorities and, sometimes, private community governments.

Most of the city's staff and budget is devoted to the operating departments. As an example: Operating functions such as waste management, grounds maintenance, security and emergency response can be budgeted annually and for several years.

The level of service provided is directly linked to the vision-driven strategic plan that sets the standards and expectations of the stakeholders. Maintenance plans, schedules and expenses reflect standards provided in the strategic plan. Finance plans include adequate renewal and replacement funds for aging infrastructure.

Collaboration between the operating departments, the planning function and the financial officer enable the unfettered flow of coordinated rules, regulations and budgets. Community relations and performance measures become important and inherent elements to the operating systems used by successful cities to build and maintain stakeholder trust.

CONCLUSIONS

1. Interconnect the economic development and city finance programs; leverage public improvements to create private jobs.
2. Use public capital improvements to support economic development objectives.
3. Connect every city action to its vision and strategy.
4. Overlay the four operating functions with economic development and city finance plans and objectives.
5. Think and act comprehensively and long term.
6. Be transparent.
7. Consider every opportunity to partner and collaborate with others to advance the city's strategic objectives.
8. Establish and maintain a system of accountability to ensure that public efforts to support private activities are well-founded and effective.