

Win! Win! Win!

New ways governments are cutting costs, generating income and stretching taxpayers' dollars

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As cash strapped government units search for ways to fulfill their commitment to citizens, some imaginative fiscal strategies shine as beacons of success. The best strategies dramatically reduce cost for taxpayers while generating new revenues. All find innovative ways to stretch the dollar.

Perhaps the most dramatic example is a recent U.S. Department of Defense (DoD) Accounting Consolidation Proposal. In March, 1992, the DoD released a brilliantly crafted idea in its proposal titled an "Opportunity for Economic Growth (OEG)."

The OEG was apparently structured as a mechanism through which local and federal government could combine resources in a "win-win" situation. Considerations surrounding the federal side of the issue were: (1) the U.S. Department of Defense currently spends hundreds of millions of

dollars each year to support its finance and accounting functions; (2) those costs could be reduced significantly if the 44,000 employees doing this job, who are spread over 350 sites, were consolidated at perhaps a half-dozen sites; (3) the number of employees doing the job should be reduced to approximately 23,000 in conjunction with overall armed forces downsizing; and (4) operating efficiency would be greatly enhanced in new facilities with teleconferencing capabilities, electronic mail and fiber optic systems.

At the local level, each site represents a wonderful opportunity for a community to acquire thousands of well paying jobs and a minimum influx of \$100 million. More specific, each community could bid for either a 4,000 or 7,000 job center and \$100 or \$175 million in taxable annual payroll for up to 30 years. The average yearly

How NOT to bid: Evansville, Indiana out of the running

Evansville, Indiana, may be a good example of how not to bid for proposals such as the U.S. Department of Defense's (DoD) Opportunity for Economic Growth (OEG). Newspaper reports indicate local voters overwhelmingly supported (more than 80 percent voted affirmatively) a 25 percent increase in income taxes and continuation of a one-cent food and beverage tax which was about to expire in order to fund building construction and other enticements for the OEG.

However, local officials refused to share details of their bid with citizens until after a Freedom of Information action was filed. A newspaper opinion poll (which did not meet the rigid tests of a scientific

poll), found a complete reversal of support shortly after citizens had access to the proposal language.

Reader response to the poll was huge (it ranked among the top three in terms of total respondents according to one reporter). Only 13 percent of respondents supported the bid once they found out its details. The paper was flooded with negative comments such as: "I definitely do not approve of what the mayor has put me in debt for. I will not live long enough to pay for it. My children will not live long enough." . . . "The ludicrous provisions of our proposal go on and on." . . . "I do not support this because I had no voice in the matter."

In addition to badly needed jobs and an influx of cash, the DoD's proposal offers the prospect of eliminating two of what I call the "TICs" of urban living. TICs (Taxes, Image and Crime) are fundamental hurdles to revitalizing any city. Few citizens or businesses want to move into an area where they feel threatened by criminal activity, where they generally pay higher taxes, and where the visual images surrounding them are abandoned, decaying and vandalized structures.

compensation including fringe benefits is about \$35,000 per job. Some predictions were that from one to one and half new jobs would be created for every DoD job brought in. The additional employment comes from annual local purchases of items such as supplies to run DoD offices, contracts for services such as office cleaning, and work created directly from monies spent by DoD employees for housing, food, etc. Thus, the total local impact of a 4,000 job proposal was estimated to be between 8,000 and 10,000 jobs.

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Competition can be fierce and some government officials wring their hands about the competitive atmosphere the OEG proposal created. Others welcome the chance to bid. In large cities, an economic stimulus of the magnitude of the OEG could make a significant dent in urban ills. In smaller cities, it offers an opportunity to completely rebuild central business districts. Furthermore, the OEG promised time in the national limelight for finalists to promote their locations and amenities.

Competing jurisdictions such as Indianapolis, Indiana have reportedly spent more than \$40,000 per job to entice economic growth. Examination of literature citing other efforts to lure large job packages indicates bids of from \$10,000 to \$50,000 per job.

More than 100 cities, counties and townships contacted DoD regarding the OEG proposal. Over 200 separate bids were submitted. Seven jurisdictions in Michigan pursued the process (Detroit, Jackson, Kalamazoo, Monroe, Muskegon, Saginaw and Sterling Heights). This was DoD's first attempt at marketing its payroll and there were surprises. So many jurisdictions responded that members of its site selection team had to eliminate planned tours of all communities submitting bids and instead, tour only those making it as "Finalists."

How TO bid: Saginaw, MI made the finals!

Michigan's finalist in the bidding competition, the city of Saginaw, created a proposal in exactly the opposite manner from Evansville's. With the help of Michigan Department of Commerce officials and critical legislative action, the Saginaw bid was structured to prevent burdening local taxpayers. Income taxes captured from proposed DoD workers completely funded building construction. Thus the DoD money would pay the cost of the finance center.

Another strategy involved forcing DoD money into community coffers whenever possible. Instead of paying costs for "preferred options" such as a cafeteria, day-care center and fitness facility, city officials looked for ways to provide the service while generating income for local businesses and agencies.

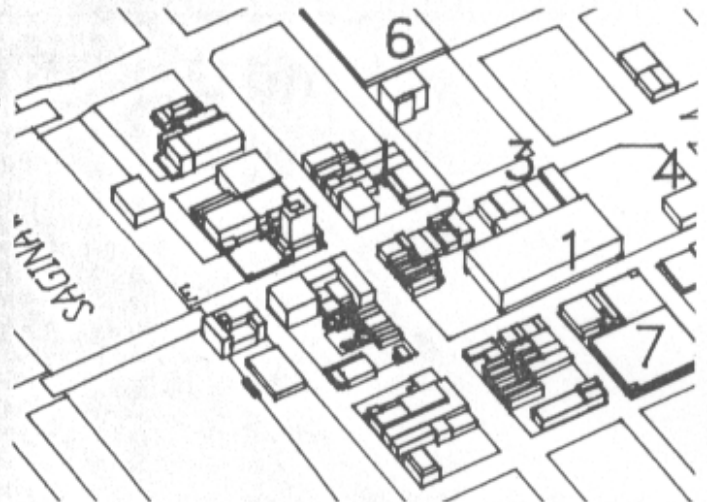
For example, Saginaw attempted to guarantee income to local businesses by specifically excluding a cafeteria from its bid. Instead, Saginaw argued savings in utility bills, maintenance, insurance and other items if DoD used already existing restaurants surrounding the planned facility.

Instead of funding an expensive child-care operation, they partnered with a local college which offers "nanny" training. By offering child-care at market rates, Delta College would generate an annual positive cash flow, its students might have an opportunity to get excellent work experience and DoD personnel were guaranteed quality care for their children.

Rather than build a fitness center exclusively for DoD personnel, officials met with local YMCA staff and

offered DoD employees discounts to a family fitness facility located on the bank of a river in the midst of a beautiful park system.

The morning after the final proposal submission date passed; when no one could change their bid, Saginaw's mayor and city manager called a press conference in which all details of the proposal were released to citizens. Details were so thoroughly covered in the verbal presentation and written materials that not a single person at the press conference asked a question — however, several rose to compliment city representatives on the proposal's structure and content. Unlike Evansville, Saginaw's con-



stituency appears to believe that their leaders offered a responsible package which would lift up the community instead of burdening its citizens with taxes for questionable benefits.

Saginaw's approach got them selected from among all the cities competing across America as a finalist in the competition. Citizens and media representatives have time after-time praised local officials for their cost consciousness. And the networking which occurred as part of the bid process has created a new sense of power and focus for community leaders, institutions and businesses.

The key to competing successfully is the ability to balance intense desires to acquire employment with burdens created to fund bids.

Competing jurisdictions are reluctant to release details of their proposals, but the "Fair Market Value" of DoD's offer will probably exceed \$200 million in up-front costs, plus millions of dollars in long-term savings on rent, utilities and other items. Estimated savings to DoD on facility acquisitions alone run from \$40 to \$100 million per site.

The key to competing successfully is the ability to balance intense desires to acquire employment with burdens created to fund bids. And woe unto government leaders who give away the farm.

It was most revealing that in all my conversations with individuals in cities across the country competing for these jobs, I never ran into anyone who was sorry they went through the process. Even though they were frustrated by Secretary of Defense Aspin's last minute termination of the OEG, everyone expressed the opinion that their communities were more aware of their assets and better able to compete if other opportunities arose.

I believe the opportunity offered by the Department of Defense in its OEG should

be applauded and hope other government agencies will copy what they did well. There needs to be a mechanism inherent within the bid process which prohibits overzealous officials from overburdening citizens financially. Perhaps the final step could be a release of the bid in a local public forum followed by a vote to affirm the willingness of the community to support the offer.

It is true that poorly constructed bids for jobs create awful burdens on citizens, but when proposals are skillfully crafted, local units of government will benefit. \$100 to \$200 million is going to be spent each year on each DoD facility. So, why not get part of the action? The key is creativity and prudence.

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David and Goliath can both be winners

Most changes to save a buck come from activities other than a single bid for thousands of new jobs. Officials serving small government have demonstrated successes for the "Davids" out there as well as the "Goliaths." Even the smallest units of government have found creative techniques to cut costs.

Some jurisdictions minimize computer expenses by combining several personal computers in a "network" where the computers appear more powerful because they share information and memory capacity. This configuration is known in the computer world as a LAN or "Local Area Network." It eliminates the need to purchase specific software for each PC.

Instead, individual programs can be simultaneously accessed by anyone via the network. Thus, perhaps a half-dozen \$500 programs are replaced with a single, more expensive, program shared among all computers comprising the LAN system.

Other jurisdictions, having computer literate employees and relatively modest needs, are able to accomplish necessary tasks utilizing some of

the better "shareware" computer programs.

According to James Marfia, owner of Township Assessment Services, shareware software is typically estimated to cost 1/10 to 1/15 the price of comparable professionally marketed programs. Marfia cites Alpine Township, MI, which has six full-time employees and Ravenna Township, MI, which has no full-time employees, as governments using this approach. Both use a shareware version of the P.C. File computer program to process voter registration. Alpine Township also performs water billing and other data base functions with shareware programs.

