



Rightsizing Local & Regional Government

*Methods and Models for
Representative Local
Governance*

***Rightsizing Local & Regional Government:
A Symposium***, conducted February 5, 2001
Universal City, California

Sponsored by: The James Irvine Foundation
Reason Public Policy Institute
San Fernando Valley CIVIC Foundation
Economic Alliance of the San Fernando Valley

Edited and Compiled by: *Robert L. Scott*

February 2001

RIGHTSIZING LOCAL & REGIONAL GOVERNMENT

Methods and Models for Representative Local Governance

A collaborative presentation of the Economic Alliance of the San Fernando Valley, The James Irvine Foundation, the San Fernando Valley CIVIC Foundation, and the Reason Public Policy Institute.

Edited and Compiled by Robert L. Scott

The Economic Alliance of the San Fernando Valley is a private, non-profit collaborative made up of private and public investors. The Alliance is dedicated to growing and sustaining the economic base of the San Fernando Valley, and to improving the quality of life in the five-city region—including the cities of Burbank, Calabasas, Glendale, Los Angeles, and San Fernando.

The James Irvine Foundation is a private, nonprofit grantmaking foundation dedicated to enhancing the social, economic, and physical quality of life throughout California, and to enriching the State's intellectual and cultural environment. The Foundation was established in 1937 by James Irvine, the California pioneer whose 110,000-acre ranch in Southern California was among the largest privately owned land holdings in the State.

The San Fernando Valley CIVIC Foundation is a research and educational organization primarily established to assist the Los Angeles County Local Agency Formation Commission in its research of local governments. The Foundation is dedicated to the free dissemination of educational information to residents of the Los Angeles area.

The Reason Public Policy Institute is a national research and educational organization that explores and promotes the twin values of rationality and freedom as a basic underpinning of a good society.

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THE CHALLENGE TO REPRESENTATIVE LOCAL GOVERNANCE

THE NATURE OF GOVERNANCE

Lynn S. Scarlett

“How can services be provided that ensure both accountability and coherence across jurisdictional boundaries?”

Aristotle once said that “men come together in cities to live—but they remain there to live the good life.” Of course, as we all know, living in cities requires basic services. It requires, seemingly boring but essential, trash collection and street cleaning—but it also requires, much more elusively, a sense of place—and finally, probably much more elusively, it requires governance.

Urban historian Peter Hall opined that cities always require collective action. He goes on to say that that doesn’t necessarily mean public action. Often collective action consists of giving wide powers to private agencies. But this, of course raises central questions—what form of collective action—what decision-making unit—a neighborhood—a city—a metropolis—or still larger regions?

This report explores these and other questions. What is a city, for example? What is a municipality? As cities grow, how can representation and governing institutions be maintained? How do cities fit within larger regions? How can services be provided that ensure both accountability and coherence across jurisdictional boundaries? What are the respective roles and opportunities for public and private action?

There is considerable discourse on some of these challenging questions—many of which apply specifically to the San Fernando Valley, and its role in the greater Los Angeles region. 🌿

Lynn S. Scarlett is President of the Reason Foundation and has served on numerous commissions, including the Enterprise for Environment Task Force; as technical advisor to the Solid Waste Association of North American Integrated Waste Management Project and as an expert panelist for the U.S. Environmental Protection Agency. For the past seven years, she has chaired California’s Inspection and Maintenance Review Committee. Her writings have appeared in numerous books, popular media and academic journals, and she has appeared on local and national TV, including “Crossfire,” the “Lehrer News Hour,” and “Good Morning, America,” discussing environmental issues. She hosts an environmental Web site at TechCentralStation.com.

LOCAL GOVERNANCE: REFORM IN LOS ANGELES

Robert L. Scott

The San Fernando Valley lies to the north and west of the Greater Los Angeles basin. The areas are physically separated by the Santa Monica Mountain range. Yet, 75% of the central Valley is within the jurisdiction of the City of Los Angeles and comprises about one-third of L.A.’s total population—less than a majority. The cities of Burbank, Calabasas, Glendale, San Fernando, and Hidden Hills are entirely located within the Valley.

During 1998 over 200,000 signatures were collected from registered voters in the San Fernando Valley supporting a petition to LAFCO, the



Local Agency Formation Commission, for a Special Reorganization of the City of Los Angeles.¹ The Valley was seeking to detach from the City of Los Angeles and simultaneously incorporate as a new municipal entity—a movement with a long and contentious history. Two prior efforts were made in the early 1960s and late 1970s. The latter was halted by a change in state law that conferred veto power on the local city council—a law that was re-amended in the late 1990s to eliminate the veto.²

In 1999, partly in response to the petition, the City of Los Angeles engaged in an extensive process to develop an entirely new City Charter. During the debates, a number of innovative restructuring plans were proposed—most in the nature of devolution of power and decentralization of the City government. The result was a shorter, cleaner, more efficient charter, but it was nonetheless a disappointment to the more aggressive reformers.

What has emerged in the San Fernando Valley, and in similar urban-suburban areas, is a regional and local governance structure. This is less a product of design than one of necessity. Unlike the traditional top-down *government* configuration, the *governance* model involves a broader, more collaborative leadership group—one that fuses public government with local private sector leadership. The grass-roots, bottom-up momentum of these local groups provides a valuable counterbalance to the bureaucratically and politically-driven paternalism common to governments.



There is a doctrine that is fundamental to American democracy, which was key to the adoption of the U.S. Constitution—acknowledgement that the most representative government is that closest to the people. This core value underpins the American community. In their quest for growth and grandeur, many larger cities have lost site of residents’ need for a sense of place, and for the ability to manage their own unique local affairs. There are some popular perceptions that bigger cities and larger departments consistently result in more and better services. This has been found to be untrue in a majority of cases. There is substantial evidence that small and mid-size governments can provide services better and more efficiently than their larger counterparts.

When city council districts become too large, local grass-roots campaigns become an impossibility. Political fiefdoms are created, which are driven more by special interests than by community priorities. The loss of *center* in our big cities may well be a function of the loss of representative scale. There must be viable alternatives to infinite growth, and ever-larger government. 🌱

Robert L. Scott is the Director of the Civic Center Group—a public policy organization in Calabasas, California. With more than 30 years’ experience in the public policy realm, his firm has assisted organizations nationwide in specialized research, data development and community-based information projects. With current emphasis on the San Fernando and San Gabriel Valleys, he has been extensively involved in economic development, governance reform, research, planning and community development. He is past President of the Los Angeles City Planning Commission, and is founding Chairman of the Economic Alliance.

¹ Cortese-Knox Local Government Reorganization Act of 1985, former Government Code Section 56000 et seq. Amended Jan. 1, 2001.

² California Government Code Section 56075.5

THE DRIVE FOR INDEPENDENT CITYHOOD: CAUSES AND CURES

David W. Fleming

We must keep in mind two fundamental principles. First, regional problems demand regional solutions—and regional solutions come about primarily through regional empowerment. Regional problems are not easily solved. They affect the quality of life of everyone in California.

The second principle guiding us today is that the smaller local governments become, and the closer they get to the citizens they serve, the more engaged the citizens become—with both their government and their communities. Empowerment of communities begets citizen involvement.

You can't solve a problem without taking ownership of it. Empowerment then becomes the key to community problem solving. If we feel pride and a connection with city government at its most localized level, we tend to take responsibility for ourselves and for the well-being of our neighbors and our neighborhoods.

Conversely, if we feel disconnected from our government—helpless to influence it—ignored by it—irrelevant in our government's daily comings and goings, we tend to tune out. In tuning out, citizens become ambivalent, declining to take ownership of local problems.

One need only compare the City of Los Angeles with smaller neighboring cities that are thriving—with safe streets, well-maintained parks, sidewalks and streets. Their residents show pride in their cities and take an active interest in delivering better services at lower costs.

Valley residents living within the City of Los Angeles would like to believe that through real restructuring, the city could become a better place to live—believing that as times change, governments must also change. Recently enacted charter reforms were long on form and short on substance. There was little to address the City's exploding growth, and the needs of its dynamic ethnic mix.

The only major change to Los Angeles government in the last 75 years is the size of the bureaucracy. In 1926 there were several hundred city employees, a mayor and 15 council members. The employee base has grown to nearly 40,000, but the council structure remains the same. 75 years ago the homogenous population was under 300,000. Today, the City has a population of nearly 4,000,000. It is one of the most diverse cities in the world—a vast urban mass sprawling over half a thousand square miles, with almost no space left. The seat of city government is as much as 30 miles removed from the people it serves—and for those in the San Fernando Valley—a whole mountain range away.

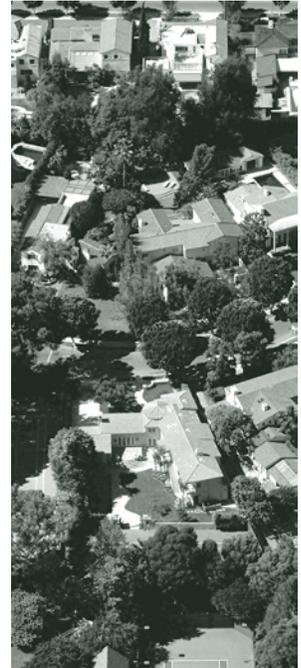
In this work, we are seeking guidance of municipal experts from across the nation, and around the world to address issues and explore alternatives for the San Fernando Valley and the City Los Angeles, whether it reorganizes, or stays together as one city. 🌱



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“... the smaller local governments become, and the closer they get to the citizens they serve, the more engaged the citizens become—with both their government and their communities.”

David W. Fleming is Chairman of the Economic Alliance and was instrumental in the successful city charter reform movement in Los Angeles. Along with Los Angeles Mayor Richard Riordan, he co-chaired the voters' initiative to reform Los Angeles city government. Voters passed the initiative in 1997, culminating in an elected citizens' Charter Reform Commission that drafted the new charter for the City of Los Angeles. The new City Charter was adopted by voters in 1999. For the past seven years, Fleming has served as President of the City of Los Angeles Board of Fire Commissioners. He is the current Chairman of the Los Angeles Economic Development Corporation (LAEDC), a member of the Board of Trustees of the Reason Foundation, Chairman of Valley Presbyterian Hospital, and a director of the Los Angeles Chamber of Commerce. As the former Vice-Chairman of the California Transportation Commission (CTC), he served as Chair of the CTC's Public Transit Committee, overseeing public transit projects throughout California. He was instrumental in creating the Children's Planning Council of LA County, which coordinates the funding of over \$4 billion annually through 100 federal, state and local programs helping children in need in Los Angeles County.



The Economic Alliance of the San Fernando Valley An Exercise in Regional Governance

The Economic Alliance of the San Fernando Valley has a unique role to play in helping to improve the Valley's local and regional governance. It is the only private organization exercising stewardship over the interests of the 1.6 million residents, 64,000 businesses and six cities located in the area. As a Collaborative Regional Initiative (CRI) the Alliance is a convener of events and preparer of information and reports. These products are calculated to inform the public debate and to encourage community leaders to look at issues from various perspectives.

The Alliance is committed to broad-based prosperity through economic development—sustainability through preservation of the area's quality of life—and opportunity through education and outreach.

This project is part of an ongoing process to empower the Valley's communities, to help define the area, and to enable residents and businesses to achieve their goals.

Bruce D. Ackerman, President and CEO

NEW AND OLD SUBURBS AND THE CHALLENGE TO REGIONALISM

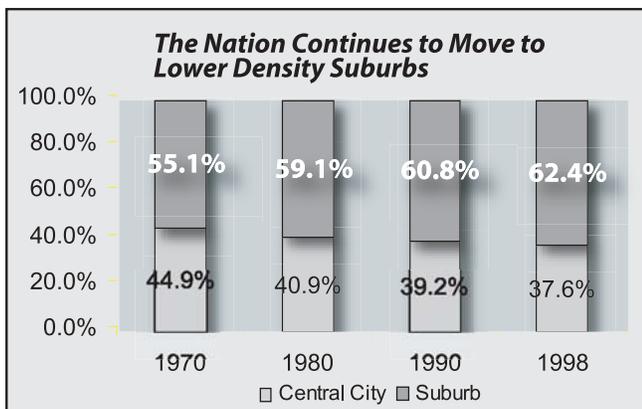
MIDOPOLIS: RENAISSANCE FOR THE AGING INNER SUBURBS

Joel Kotkin

Although the San Fernando Valley is not a downtown urban core, it is also no longer a suburb like communities to its north and west. The demographics are different and the economic situation is different.

The “Midopolis” is a middle place—an older suburb between the traditional core city and the peripheral suburb

Places like the San Fernando Valley no longer function as a suburbs or as bedroom communities to a downtown core—with the majority of their workforce commuting to a central city. As a suburb the Valley is over 50 years old, with many structures dating back 70-90 years. It has developed its own characteristics, and is confronting its own unique set of challenges.



Valley neighborhoods are going through the very traditional urban pattern of decay and transformation. These communities no longer make up the periphery of the city. Most of the areas in this Midopolis group had their big expansions with the tract housing boom of the ‘50s, ‘60s and ‘70s. They are now in a different stage of development.

Although Los Angeles did start with some streetcar suburbs, it is fundamentally a non-traditional spread-out city, built around freeways and automobiles. The Valley communities tend to be relatively flat. Some people have this idea that if a city does not look like Chicago or New York, it is not a city. The reality is that the Midopolis—the older suburbs—are becoming a new kind of city.

The 1970s image of the Valley as a homogeneous featureless sea of single-family homes no longer applies. The Valley has no ethnic majority, and with growing diversity, the area is being transformed.

Yet the Valley, or at least most of its residents, wants to maintain aspects of its suburban character. New Urbanism philosophy proposes that we all live in crowded apartments around subway stops—as they do in the central parts of London or New York City—but for most people, particularly families, this is not a practical or preferable way of life.

To maintain this suburban quality of life, the Valley and other midopolitan areas face severe competition from peripheral communities, such as Santa Clarita, Westlake Village, Simi Valley and Thousand Oaks. In this competition, aging infrastructure and governmental incompetence is part of the problem. New governmental forms are required.

Some argue that the solution is regional government—one that redistributes resources from the so-called “rich” suburbs, to poorer areas. Some even believe in a regional authority to dictate what local communities should look like. This has the unfortunate effect of putting regional architects and planners in control of the local community.

The reality is that many of the inner suburbs have made positive transitions from decay, and are thriving. They have reinvented themselves, and have been enjoying significant property appreciation over the last few years. Each community is unique, with its own assets and liabilities. Studying communities around the country, I have found outcomes are improved in smaller, more cohesive cities—cities where you can be elected based on integrity, philosophy and hard work, rather than being owned by the public employee unions or the big developers.

The older suburbs can come back. The key is to bring government to the local level. Local governance means that people who live and work—who understand their areas—can tailor regulation and services to each community’s priorities. The prospects for places like the San Fernando Valley could be tremendous. But if we continue to allow decisions to be made by an oversized and centralized bureaucracy, then the dire prophesies of the New Urbanists could be fulfilled. There is the very real prospect of long-term decline. The Valley still has the opportunity to become a great place, a new model, and a new way of life that offers opportunities for all its residents. 🌱

“The ‘Midopolis’ is a middle place—an older suburb between the traditional core city and the peripheral suburb”

Joel Kotkin is a research fellow in urban policy at the Reason Public Policy Institute, a senior fellow with Pepperdine University’s Davenport Institute for Public Policy, and a senior fellow with the Milken Institute, where he is currently involved in research focusing on reconceptualizing cities—particularly their older areas. A former business trends analyst for KTTV/Fox TV in Los Angeles and recipient of the Golden Mike Award for Best Business Reporting, Kotkin writes a monthly column “Grass-Roots Business” in the Sunday New York Times’ Money & Business section. He is also columnist with the Los Angeles Business Journal and ReisReports.com, and a frequent contributor to The Wall Street Journal, The Washington Post, Forbes ASAP and The Los Angeles Times, where he serves as a contributing editor to the Opinion Section. The author of four books, he lectures widely in the U.S., Japan and Europe on global, economic, political and social trends. Kotkin’s most recent book *The New Geography* (New York: Random House, 2000) deals with the inner ring of aging suburbia that he has termed the “Midopolis.” See also *Older Suburbs and the Emerging Midopolis: Crabgrass Slums or New Urban Frontier* (Los Angeles: Reason Public Policy Institute, 2001) Policy Study 281.

ORGANIZATION AND GOVERNANCE OF COMPLEX METROPOLITAN AREAS

Ronald J. Oakerson



Los Angeles and the San Fernando Valley are teeming with possibilities that could place them on the cutting edge of local government reform. Governance structures are needed that are able to address multiple problems simultaneously, where those multiple problems are as diverse as education and fire protection, water supply and policing—each one requiring very different governing capabilities and also, quite importantly, each requiring collective action at quite different scales of organization, from the neighborhood to the greater region. Contemporary “governance” includes, in addition to formal governments, a vast assortment of civic and community groups that participate in the governance of their communities.

Fragmentation is typically the word used to bludgeon metropolitan organization in the United States. But it has a neutral definition. It is simply the number of local governments per capita. And that is something that obviously can affect metropolitan governance in a variety of ways. In metropolitan governments greater fragmentation is associated with lower total government spending per person. So the popular idea that “more governments” equal “more government” is simply not so.

It is important to distinguish between provision and production of services, the two fundamental activities that local governments engage in. Different criteria apply to each. Provision activities include raising revenue, private regulation, and procuring services, i.e., arranging for their production. Services may be produced in-house or contracted out to government or to private contractors. Some local governments function as pure provision units and produce next to nothing in-house.

Provision criteria include: 1) the ability to act collectively including intended beneficiaries in the process; and 2) the ability to respond to community preferences. Both of these criteria tend to favor smaller governments. The assurance that the community is going to get what it pays for is sometimes called “fiscal equivalence”—which is a necessary condition of efficient provision.

Production criteria are quite different. Production involves obtaining factor inputs, applying basic knowledge, and obtaining time and place information. This is quite important for service delivery to discrete communities. Criteria include: 1) efficiency in a least-cost sense; 2) the ability to achieve appropriate economies of scale while avoiding diseconomies; and 3) an ability to respond to service conditions that vary from place to place, which depends on an ability to mobilize knowledge and information.

Basic police patrol service, for example, is best produced by small and mid-sized departments. At the same time sanitary waste management may work better in large jurisdictions, although this is only true to a point. The typical metropolitan economy consists of an array of provision units linked in various ways to an array of production units. While the provision side has

“Those who deliver services to a neighborhood should be directly accountable to that neighborhood.”

small units nested within larger, and still larger units, the production side is organized by service sectors: police, education, parks and recreation, etc.

I don't think there is an ideal size for a municipality. It all depends upon the sense of identity that people share with one another—the community of interest that is shared by their citizens.

When a citizen asks himself what do I really care about—where do I want my voice to count the most—the answer is going to indicate what the boundaries of a municipality ought to be.

Organization of production tends to be differentiated within each sector by service components as well as by the areas served.

In St. Louis city and county for example, an area of 1.5 million residents, there are 92 provision units with authority to make provision for police service. Only 66 are what we would normally call police departments. Even these are variable in what they may or may not undertake. All 66 produce some sort of patrol service. But only 30 units dispatch patrol officers. There is only one major case investigation unit, one forensics unit, and one entry-level training unit for the entire metropolitan area. This highly fragmented metropolitan area has managed to fully integrate these three service sectors.

Likewise, in Allegheny County, Pennsylvania, the street maintenance sector has 130 provision units making some sort of provision for street maintenance, but only 25 producing street sweeping, and only three units engaged in the production of arterial street maintenance.

It's obvious if you look at the structure of production in these areas that this is a structure that is driven by economies of scale. What you see is a kind of industrial organization model in which there are a few very large units supplemented by a very large number of small units. It is not unlike the way the motion picture industry is organized.

Coordination across jurisdictions and among service areas is often easier than within large bureaucracies, where there are limited incentives to coordinate. In fact, highly differentiated local public economies exhibit very high levels of interorganizational coordination. As for coordination across functional areas at any one level, the neighborhood is an important unit—as it tends otherwise to be fragmented among a set of large-scale service producers—many of whom never talk to one another within the neighborhood.

There are a number of criteria that ought to apply to metropolitan governance: 1) an ability to enact area-wide enabling rules to govern matters such as incorporations, boundary adjustments, revenue sources, and the authority to provide services; 2) an ability to address both area-wide and highly localized problems as well as everything in between; 3) an ability to resolve interjurisdictional conflicts and to build area-wide consensus on key issues; and 4) an ability to limit fiscal disparities among jurisdictions.

These components must be supported by accountability, strong representation, and easy citizen access. Those who deliver services to a neighborhood should be directly accountable to that neighborhood.

“When a citizen asks himself what do I really care about—where do I want my voice to count the most—the answer is going to indicate what the boundaries of a municipality ought to be.”

“... greater fragmentation is associated with lower total government spending per person. So the popular idea that more governance equals more government is simply not so.”

In St. Louis County there are, at last count, 873 local elected officials representing one million residents. If you compare that to Los Angeles and the San Fernando Valley, where there are only a relative handful of representatives, it is simply impossible for the quality of representation to be the same.

One organizational approach would be to begin with a set of relatively small municipalities and school districts at the base, and then add to that a noncompetitive, honest-broker, umbrella jurisdiction, such as a county. Add an ability to create special-purpose jurisdictions allowing the flexibility needed to keep a metropolitan area current. Add a variety of civic and local government associations. A government structure is needed to parallel civil society, beginning with neighborhood associations and then including area-wide associations such as the Economic Alliance. Access to the state legislature is essential for legislation to enable local action.

If you were to add a set of default units that would resemble the classic American township and then allow citizens to organize within those boundaries, subject to a set of rules and procedures, you could create a dynamic adaptive and responsive local public economy that includes the central city.

Much of metropolitan America is well served by highly differentiated local public economies. The challenge that we face today is to bring the benefits of a diverse local public economy to large central cities. This has begun in many ways. I would mention one in particular—business improvement districts which entail real ability to act collectively. They exercise limited authority and assume effective responsibility for some piece of the local geography. Fortunately, there are many ways to diversify the governance of large central cities. It is important that we begin that task. 🌱

Ronald J. Oakerson is Academic Vice President and Dean/Professor of Political Science at Houghton College, New York. A former senior analyst with the U.S. Advisory Commission on Intergovernmental Relations, he directed the Commission’s research program on metropolitan governance. He is a former member of the National Rural Studies Committee, currently serves on the American Political Science Association’s Task Force on Civic Education, and is active in international consulting. He is the author of several works, including *Governing Local Public Economies: Creating the Civic Metropolis* (Oakland: Institute for Contemporary Studies, 1999), featuring insights and concepts on governing in an age of regional urban economies.

Robert W. Poole, Jr. is founder of the Reason Foundation, a national public policy think tank based in Los Angeles, which he launched in 1978. He is a nationally known expert on privatization and transportation policy, having been the first to use the term “privatization” to refer to the contracting-out of public services. He has worked with the Reagan, Bush and Clinton Administrations on various privatization issues, and is the author of dozens of policy studies and journal articles on the subject. His popular writings have appeared in national newspapers, including the New York Times and the Wall Street Journal, and he has appeared as a guest on network TV programs, such as “Crossfire,” “Good Morning America,” and “The O’Reilly Factor.”

IS BIGGER BETTER? ECONOMIES AND DISECONOMIES IN LOCAL GOVERNMENT

MODELS FOR MUNICIPAL EFFICIENCY

Robert W. Poole, Jr.

Twenty years ago when I wrote my book *Cutting Back City Hall*, on the outsourcing of service delivery, there was already some discussion in the academic literature questioning the idea that bigger is necessarily better or more efficient. In the last 20 years that evidence has proliferated, and it turns out to be a much more complex subject than many people imagined.

I think the multiple layers of government that Professor Oakerson laid out make a lot of sense. You need some basic ground rules at the metropolitan-wide or overall general citywide level. But within that, the crucially important thing is to provide real financial and service responsibility for much more localized units within the larger framework.

The key to making smaller-scale arrangements for public services work is the ability—whether it be via a borough, council, a neighborhood association or a business improvement district—to select the provider for each service that offers the best value for the money, exactly as every private business does. Thus, we need to look for governance arrangements that make that opportunity available. We have signally failed to do that in our large centralized cities like Los Angeles.

California has extensive contracting for services by smaller cities. Some of them have a city manager, a city council, and not much else. This contracting includes both intergovernmental contracting and private contracting, depending on who is available to provide that service. So it is a tremendously flexible tool and something that is totally non ideological.

Policing, in general, is a very labor-intensive service. Although we now have more and more in-car computer terminal type of technology, that is a relatively modest portion of the overall annual cost of the police department. Also it is something that relates directly to the dispatch function which, as Professor Oakerson's data for the St. Louis area showed, is one that is typically consolidated among many different provider units. I don't think the technology question is one that overturns the general finding of diseconomies of scale, given the labor-intensive nature of most of the police budget and the primary relationship of technology to centralized functions like dispatch.

It seems to me that the greatest chance of making a valid incorporation drive successful would be to capture the imagination of people with a dramatically different and better form of government. That model could also be applied to the remaining city or to the other areas that are also talking about incorporating. I would suggest that those working for a Valley city put some serious effort into building on the ideas from this work to develop that positive vision. Don't let a new city be, by default, simply a smaller version of the existing city of Los Angeles. 🌱



“... contracting includes both intergovernmental contracting and private contracting, depending on who is available to provide that service.”

AMALGAMATION AND CONSOLIDATION OF MUNICIPALITIES: THE CANADIAN EXPERIENCE

Andrew Sancton

“Toronto now faces a \$300 million budgetary shortfall and residents are being hit with double-digit tax increases.”

Andrew Sancton is professor and Chair of the Department of Political Science, University of Western Ontario, Canada, and former director of the department’s Local Government Program. From 1998 to 2000 he was President of the Canadian Association of Programs in Public Administration, and a board member of the Institute of Public Administration of Canada. He is the author of two well-known books on Canadian local government, *Governing the Island of Montreal* and *Governing Canada’s City Regions*. His most recent book is *Merger Mania: The Assault on Local Government*. He has been both a consultant and an expert witness, acting in both capacities during Toronto’s “megacity” debate and in the current controversy in Montreal.

Canada gives us a laboratory to see what happens with consolidation, the opposite of de-annexation. There have been two waves of amalgamationist fervor in Canada in recent years. The first was in the 1960s and ‘70s, with the belief that municipal governments should be bigger in order to do more things—to be strong enough to deal with immense urban problems.

The most dramatic change of all came in the city of Winnipeg, where 13 municipalities were merged by a social democratic government committed to equality, equal taxes and better redistributive programs. The whole purpose of these mergers was not to save money, but to spend money. And one thing is absolutely clear—they did not save money.

The next wave began in 1996, in the Halifax area, which created a huge geographic municipality. Proponents argued that outside investors, mostly from the United States, got too confused when they came to Halifax because there were four municipalities—and that it would save money. Everybody now agrees it did not save money, and that expenditures went up as a result of wage and service harmonization—again whether or not people wanted it.

The biggest merger was in Toronto in 1998. It did not include all of the four million inhabitants of the urbanized Greater Toronto Area—only the two million residents of the central area known as Metropolitan Toronto. The merger therefore fell significantly short of creating a comprehensive government for the whole urban area—yet it created a gargantuan bureaucracy. The sole purpose was to save money and stop spending increases. The provincial government predicted annual savings of \$300 million (Canadian), which has turned out officially to be \$136 million, but even that is excluding the costs resulting from the harmonization of wages and services, which are still to be determined.

Initially, there was a great political effort to avoid tax increases or subsidies from the provincial government. But, Toronto now faces a \$300 million budgetary shortfall and residents are being hit with double-digit tax increases. The province blames the failure on the bungling of local politicians who have refused to make tough decisions.

The next amalgamation will be on the Island of Montreal, which contains 27 municipalities that will form the new City of Montreal, effective January 1st, 2002. The Government of Quebec says that it will avoid the financial mistakes that have been made in Toronto and Halifax.

When large municipal governments are created, costs rise. It is true that the level of service increases in some areas. Unfortunately, there is no evidence that the people affected wanted to have their services or their taxes raised. Nobody asked them. 🌿

MUNICIPAL INCORPORATION TRENDS: MIAMI-DADE COUNTY, FLORIDA

Milan Dluhy

Whether we are talking about district councils in the San Fernando Valley or further municipal incorporations in the region, you are basically talking about the lower level of a two-tiered government.

In our studies, we have only found three services where economies of scale are a factor, making them candidates for regional agencies: fire and rescue, library, and regional planning involving infrastructure. All the other services were found to have no economies of scale. In measuring service, quality, and performance, we found the same results with other services. Larger size may work for a few services but not for most of them. Thus, you could have a few limited services at the regional level (upper tier) and everything else could be decentralized or left to the lower tier.

Prior to 1991 about half the two million people in Miami-Dade County lived in unincorporated areas. The other half lived in 29 incorporated cities. Then the incorporation movement started in the region—first in a beach community of about 9,000 people—where citizens wanted to stop beachfront condominium projects and also to be able to “see their mayor in the grocery store.” Next was a condominium community of about 18,000 where citizens wanted more than one police officer assigned. After incorporation, they increased the officers on duty to 30. Another residential community of about 20,000—98 percent single-family residences—was petrified of having more commercial strip malls on their major thoroughfares.

Four new cities were formed in the 1990s, with six more in the queue in 2001. The County now wants to get out of the municipal services business altogether by incorporating the rest of the unincorporated areas. This raises questions of boundaries and size for the new cities. Wealthier communities tend to want to go first. But the County wants them to include low-income areas within their city boundaries, to avoid hardship.

In 1994, there was a study done of donor and recipient communities. Either communities got more services than they paid in taxes or they received less services than they paid in taxes. All the donors wanted to pull out of the County because they were underserved and overtaxed. What fueled the incorporation movement was their opposition to continuing to subsidize poor areas within the County.

In a survey of over 5,000 people in Miami-Dade County in 1996, those living in the cities were far more satisfied with their services than people living in the larger unincorporated County area. The survey also showed that incorporation supporters had more education, higher income, and were mostly non-Hispanic whites—and that the movement was fueled by dissatisfaction with services and taxes. 🌱



Milan Dluhy is professor and Chair of the Department of Political Science—Public Administration at the University of North Carolina, Wilmington. A former professor of public affairs at Florida International University, he directed the Florida Institute of Government and Metropolitan Center in the College of Urban Affairs. In the last decade, he has completed “feasibility studies” for thirteen communities in the state of Florida seeking incorporation, six of which went on to successfully incorporate. Additionally, he completed a major study of service satisfaction in metropolitan Miami-Dade County. Results of this survey were used by the County to help shape its policies toward annexation and incorporation. The author of eight books, he has written for academic journals and the popular press, including the Miami Herald and Wilmington Star News.

SCALE ECONOMIES IN MUNICIPAL GOVERNMENT

James Nolan

“...when a city gets beyond a population of about 150,000 people, its police services become inefficient and more costly.”

I am presently working on an extensive study with the Reason Public Policy Institute entitled “Competitive Cities”. We are evaluating the relative performance of a set of public services for approximately 45 large U.S. cities. We obtained data on traditional city services such as libraries, fire and police in order to find which cities offer these services at the most scale efficient level of output. By definition, a scale efficient service in a city means that the city is just the right size to offer that service at the most cost efficient level. If not, then the city is either too big or too small to efficiently offer that service. Contrary to how they are traditionally treated by city governments, our preliminary results indicate that not all services should be treated equally. Some services are best provided by larger organizations and others by smaller organizations.

For example, most of the cities in our sample provided scale efficient park services—even though most in the sample were large cities. Contrast this with the fact that virtually no city in our sample was evaluated as scale efficient in the provision of police services. Most cities were too big to provide police services efficiently. Interestingly, this finding supports a 1959 study of Illinois cities by Norman Walzer indicating that when a city gets beyond a population of about 150,000 people, its police services become inefficient and more costly.

For public transit, some cities perform reasonably well, but there are quite a few others in the sample that appear to be too big to provide efficient transit service. In addition, looking at other studies and our preliminary work, there is evidence that water provision, which has encouraged historical co-operation between Los Angeles and the San Fernando Valley, has vast scale economies—a larger water service provider is indeed better and more cost efficient.

Our general conclusion is that large cities provide many services at inefficient scale. If we look individually at how city services are currently provided, they possess different technology and cost characteristics. Therefore, services must be examined individually to determine which might be best provided on a smaller or larger scale. The common business refrain of “bigger is better” or “smaller is better” just doesn’t apply on a city level for all services. 🌱

James Nolan is the Transportation Chair in the Department of Agricultural Economics at the University of Saskatchewan in Canada. His research on the subject of efficiency measurement and productivity in the public sector have appeared in journals such as *Applied Economics*, the *Journal of Economic Behavior and Organization*, *Logistics and Transportation Review*, and the *Journal of the Transportation Research Forum*. Currently, he is spearheading a major research project with the Reason Public Policy Institute. This project compares and ranks the performance of more than 40 major U.S. cities with respect to providing core public services, including water, sewage, transportation and fire and police protection.

DISTRIBUTION OF SERVICES: REGIONAL VS. LOCAL ASSETS

Sam Staley

In America, we tend to look at public services as if they should be provided by a comprehensive local government. In other words, if a city is supposed to provide garbage services, it should be provided at the same level of service and as comprehensively as other public services. I think we are finding in the research that this is probably not the best way to organize the provision of public services.

Some services clearly require a regional approach. But, there are other services that should be local. The question is how to differentiate between services that are regional and those that are local, and to acknowledge that there may be a different solution for different types of services.

Now, the question directed toward me is how do regional airports and localism fit together. I am going to interpret this question as this: What do you do with a local government or neighborhood group that tries to exercise Nimbyism (“Not in My Backyard”) to stop a project that might have a regional benefit.

I think we find this problem everywhere, and it’s not just airports. We run into the same problems with highways, railroads, and other types of infrastructure.

It may very well be that airport transportation is an issue that needs to be resolved at a regional level. Although many people are focused specifically on the Los Angeles International or Burbank Airport expansions, in many cases transportation issues are best dealt with on a regional level. This probably ought to continue.

When I discussed the governance issue with respect to public services, I was thinking of services provided within a local context. Take garbage collection. I look at it as a service that is provided within a geographic boundary, such as Burbank, but there may not have to be those boundaries. We can separate the provision and production of public services and get the regional efficiencies without actually producing them locally in-house.

We have to rethink the way we do planning, development, approvals, and development control. Ultimately, most urban policy issues will be more local than regional. Once these kinds of issues move to a regional level, other interests dominate the process, not those questions most relevant for a local area.

When we try to make things simpler, sometimes we make them more complex. And I think we should keep things as simple as possible. Contracting is simple. Once you get past that stage, you can do just about anything. 🌱

Sam Staley directs the Urban Futures Program for the Reason Public Policy Institute in Los Angeles. He has researched urban and regional policy issues for more than 15 years, authoring, co-authoring or editing more than 50 articles and research reports, including three books. His work has appeared in scholarly and professional publications, and his commentary has appeared in a wide variety of newspapers, including the Los Angeles Times, the Los Angeles Daily News, the Los Angeles Business Journal, and the Wall Street Journal. He currently chairs his local planning commission.



“It may very well be that airport transportation is an issue that needs to be resolved at a regional level.”

THE GREATER LONDON AREA: A MODEL FOR BOROUGHS

Jeremy Smith

The treaties setting up the European Union set forth the principle that services should be delivered by the most appropriate level of government closest to the people. But, there is no model that is absolutely right to be transported from one country or city to another.

The Greater London area covers 32 boroughs, which are governed by Borough Councils. Revenues come from Council Tax—a value-based property tax on domestic dwellings, which provides about 25 percent of our income. The rest comes through the nationalized business rate system and revenue support grants out of central taxation such as income tax. Until 1986, there were two “levels” of local government in London — the boroughs, and the Greater London Council. In that year, the GLC was abolished, and its services transferred to the boroughs and other public bodies.



The main services now provided by boroughs include: education, social services, housing, planning, some local transport, parking, patrol and highways, a range of leisure and information services, recreation, library, welfare, and advice services. The local authorities in London do their own unitary development plans within a strategic framework set through the new Greater London Authority, set up in 2000. They deliver local economic development and regeneration programs. They deliver a fairly wide range of environmental services including waste collection, recycling; and waste disposal—which are done on a joint borough basis—environmental health, and a variety of regulatory powers.

The main functions of the new Greater London Authority are transport, economic development, part control of metropolitan police, which has always been run by national government and never by local government—a big difference from the American system—fire, which is run on a pan-London basis—and it has a duty to produce a spatial development strategy—a planning strategy for London— and also environmental strategies. The GLA is very much about producing strategies, as opposed to operational services.

The taking on of education by the boroughs in the 1980s was largely a success. The new borough system was probably cheaper, but that was partly because of the way the central government or national government put a limit on the amount of taxes on the budget that could be levied.

The system of compulsory competitive tendering (leading to much privatization) led to more cost effective services, though it also had some disadvantages, not at first when it dealt with some of the public services such as street cleaning and so on, but when it started to get into the more internal issues of finance staff, IT staff, and so on, when it caused more

difficulty for the authorities. Now some of the services which before were provided in-house are now almost as a matter of course out-sourced, such as waste collection.

On the less positive side, some services provided by the Greater London Council went out of elected local government to bodies that were appointed by government. The particular one was London regional transport, which deals with the metro system and buses. The other disadvantage of not having a London-wide council was the lack of a strategic approach to London. Not just transport but also some major planning issues.

This kind of problem came with projects on the border between two local authorities. Local people had no interest in voting for a major development that could have negative impact on them, but which might be for the benefit of London as a whole; and, thirdly, tied to the financing here, there was no specific incentive to attract business to a borough because you didn't gain any financial benefit from attracting business to your borough. People who didn't want business in the area could put pressure on.

We have today a new Greater London Authority, which is strictly a regional body. It was set up following a referendum, and its services have not taken powers away from the boroughs. They have largely been powers the national government was exercising before. It provides a strong mayor system along with the authority of its 25 members.

The issues we need to look at in my view, in any city, are the balance between identity and efficiency. We need to join up government in order to deal with the big issues that face us—be they crime and community safety, environment, or other issues. This requires local government to work in partnership with state and regional governments, with the private sector, and community associations.

In short, I believe that we need a wider sense of local government to look at promoting the well-being of the community, which is to be separated from a purely service delivery function. 🗳️

Jeremy Smith is the Director of the Local Government International Bureau (LGIB), London. The LGIB acts as the European and international representative body for United Kingdom local government, in particular for the Local Government Association of England and Wales, which represents all local authorities on a cross-party basis. A barrister, Smith is a member of Lincoln's Inn (one of the 4 Inns of Court). For almost twenty years, he has served in local government, working for the Greater London Council, and the Inner London Education Authority, managing a wide range of central services for the Authority. He served as the Director of Law and Administration, then CEO, for the London Borough of Camden, a diverse and important part of inner London. Elected Honorary Treasurer to the Commonwealth Local Government Forum, he is Honorary Auditor for the Council of European Municipalities and Regions. He is currently a member of the UK government's delegation to the United Nations Commission on Human Settlements, and serves as Chair of a European local government-working group on European Governance.

“The taking on of education by the boroughs in the 1980s was largely a success.”

“This requires local government to work in partnership with state and regional governments, with the private sector, and community associations.”

IMPLEMENTING NEIGHBORHOOD GOVERNANCE: LOCAL EMPOWERMENT MODELS

PRIVATE NEIGHBORHOOD ASSOCIATIONS: EXERCISING STEWARDSHIP

Robert H. Nelson



I am talking today about what I call a new species of government in the United States—the private neighborhood association. I consider it to be one of the most important developments in the world of American governance today. This relatively new governing approach is being adopted across the United States. It is the full-scale privatization of government at the neighborhood level. A lot of people are familiar with “gated communities” and with their negative connotations. But these only make up about 10% of private neighborhood associations. Associations are found in such places as Las Vegas, Nevada, Reston, Virginia, and Columbia, Maryland—some with as many as 50,000 residents—and others as small as a single building. On average, neighborhood associations comprise around 300 to 500 people.

These are real forms of government, even though they are private. They collect the garbage, they clean the streets, they provide policing and security, they manage the tennis courts, and they run the golf clubs. They even have founding documents that amount to a private constitution setting out the terms for the election of the operating officers, and the board, as well as providing guidance for the form of local democracy in the neighborhood association.

When you combine private and neighborhood government, you get a unique combination. Private status gives powers unavailable to a municipal government. So it is a form of private property, but a neighborhood association also looks a lot like a sovereign government. And given that it is a governmental unit, these independent neighborhoods start looking a little bit like tiny nations.

In the ‘70s and ‘80s a lot of the neighborhood associations were adults only. California, Texas and Florida courts declared the exclusion of children to be constitutional. Of course, you can’t discriminate racially, but in the future there might be a right to religious exclusion. In 1988, however, Congress passed the fair housing amendments, which outlawed adult-only communities—but they did provide an exception for senior citizen communities.

There have already been 4,000 court cases involving the legal authority of neighborhood associations dealing with such issues as resident claims of arbitrary treatment. Some of the proponents in the old public neighborhood movement are uncomfortable and don’t seem to like these private neighborhoods—as bringing on all kinds of negative associations associated with private separation from the rest of society.

The governing impetus in the first part of the 20th century was to be big. You had annexations, the creation of large cities, such as the City of Los Angeles. Over the course of the 20th century the federal government became basically the headquarters of the United States—the welfare and regulatory state—based on the ideas of comprehensive planning, central coordination, scientific management, etc.

But by the 1960s, you started seeing doubts rising: bigger is not necessarily better; scientific management is actually not as definitive as had been promised; and planning wasn't able to provide a lot of important answers. Actually, in retrospect, the planners made some terrible errors—like urban renewal. So the neighborhood movement was one manifestation of a reaction against these earlier trends. In today's world there are tendencies toward the break-up of the monolithic institutions that emerged in the first half of the 20th century—and I expect this trend to continue.

Forty-two million Americans now reside within neighborhood associations, and fifty percent of new housing development is located in an association. Over a million Americans serve on boards of directors of neighborhood associations. There is obviously a strong popular demand.

My suggestion is that we permit retroactive creation of private neighborhood associations in existing neighborhood areas. Let citizens bring a petition to a state or regional body. Assuming that the boundaries look reasonable and that the proposed private neighborhood meets certain objective criteria, the residents, on some sort of supermajority—but not unanimity—would be able to vote to create the association.

I am very much in agreement with vision of Ron Oakerson suggesting that there needs to be a lot more flexibility of governing boundaries, in forms of government, and how we set them up. I don't think you can determine “the ideal size of government” other than through practical experience and citizen interaction.

There are a whole range of issues to be addressed here relative to annexation and de-annexation. One of the most important forums is the neighborhood. I say why not have new private neighborhoods to govern themselves instead of public government of neighborhoods from distant city halls. 🌱

Robert H. Nelson is Professor of Environmental Policy at the School of Public Affairs of the University of Maryland, and senior fellow for environmental studies at the Competitive Enterprise Institute. He is a nationally recognized authority on land and natural resource management in the United States, with particular emphasis on management of federally owned lands. Nelson has worked in the Office of Policy Analysis of the Interior Department, served as the Senior Economist of the Commission on Fair Market Value Policy for Federal Coal Leasing (Linowes Commission), Senior Research Manager of the President's Commission on Privatization, and economist for the Senate Select Committee on Indian Affairs. The author of six books, his writings have appeared in numerous professional journals and book collections. He has been a columnist for Forbes magazine since 1993, and written for the Washington Post, Wall Street Journal, Los Angeles Times, as well as numerous other publications.

“In today's world there are tendencies toward the break-up of the monolithic institutions that emerged in the first half of the 20th century. . .”

“Why not have new private neighborhoods to govern themselves instead of public government of neighborhoods from distant city halls.”

THE REDISTRIBUTION MODEL: BALTIMORE, MARYLAND

George W. Liebmann and Douglas P. Munro

The current buzzword in Baltimore City is “regionalism.” As far as many Baltimore policymakers are concerned, this means access to other people’s money. Yet, this should only be a second step, after Baltimore has put its own house in order. Until very recently, Baltimore was run with breath-taking inefficiency. In 1995, for example, Baltimoreans paid \$125.85 per capita for fire services, compared to \$61.05 in Indianapolis and \$64.95 in Philadelphia (Eggers et al., 1999:8). In 1997, 48 percent of the city budget came from state and federal sources (City of Baltimore, 1997:54). Baltimore receives more state and federal transfer funds than any other city in the nation (Census Bureau, 1997:318). This situation must be reversed before tapping anyone else’s pocketbook.

“... the most extreme proponents suggest a new level of metropolitan government superimposed over the area’s existing city and county governments.”

Baltimore has the most centralized municipal government in America. The mayor’s powers are vast. Apart from the city auditor, no agency director or other cabinet member is elected; they are all his appointees. A perennially tight budget has meant that the mayor has not been able to afford the luxury of this extensive power. Numerous municipal responsibilities have been transferred to state control lately: city jail, community college, courts, and airport. The result is a cash-strapped mayor with absolute power over an ever-smaller range of responsibilities — a whale in a shrinking fish bowl.

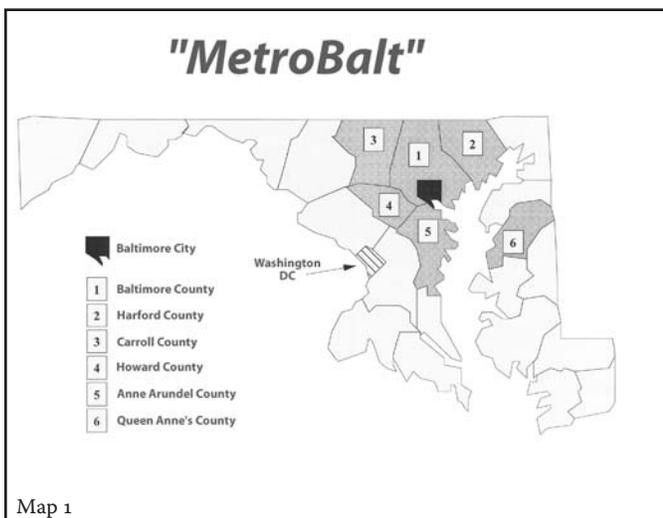
One response has been “regionalism,” by which the most extreme proponents suggest a new level of metropolitan government superimposed over the area’s existing city and county governments. This entity would have independent taxing authority with the goal of redistributing of wealth from the suburban counties to Baltimore City. The case was most famously put by David Rusk in *Baltimore Unbound* (Rusk, 1995). We call it “MetroBalt,” and Map 1 shows what it would look like.

This is inadequate. The state government already fulfills the

redistribution role envisioned for the MetroBalt. Given all this, it is not clear to us what regionalism would accomplish unless there is a fundamental change in the way Baltimore does business.

We propose a solution, one that plays upon Baltimore’s outstanding neighborhood cohesiveness (Liebmann, 2000). We advocate the decentralization of municipal authority to a blanket of neighborhood special tax districts, similar to three that already exist, but covering the entire city.

The current three districts appear on Map 2. They are small. The Charles Village and Mid-Town districts have populations of about



14,000; and the Downtown district is the business district, with a tiny residential population. The three districts may augment, but not replace, city services.

This is fine, as far as it goes. But it is not enough. We would prefer that such districts supplant citywide services, not merely supplement them. This would have numerous advantages, principal among them being the districts' ability to contract competitively for services, obviating the need to use city workers.

As the districts took over city functions and taxing authority, there would be a corresponding drop in citywide taxing — leaving only enough to fund truly citywide functions and to ensure a certain amount of redistribution from richer to poorer areas. The city council would simply become a referee.

There is very little evidence to support the argument that only citywide services achieve economies of scale. In the suburbs, many residential associations collect trash — they are small and they do it better than most municipal bureaucracies. A 1989 study by the U.S. Advisory Commission on Intergovernmental Relations found that 72 percent of residential community associations engage in trash collection (ACIR, 1989:11-12).

If the current vogue term in Baltimore is “regionalism,” in Los Angeles it is “secession.” Yet, Angelenos would be jettisoning one absolutely vast municipal government for four pretty vast municipal governments. Under our scheme, L.A. municipal authority would be devolved to perhaps 250 or so local taxing districts. Now that would be true local control. Who can argue with that? 🌱

George W. Liebmann is an attorney practicing in Baltimore City and a multiply-published author.

Douglas P. Munro is the co-founder of the Calvert Institute, which published Liebmann's study on devolution in Baltimore. Munro is now the president of a fund-raising and management-consulting firm, InterGroup Services, Inc.

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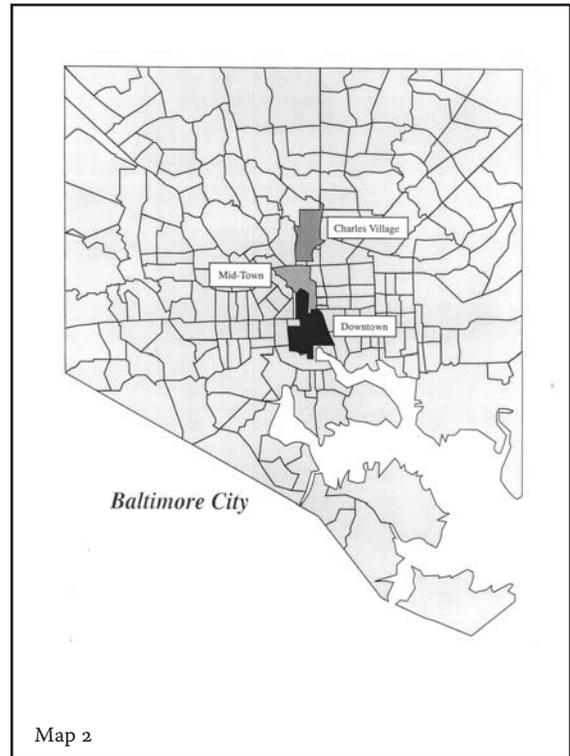
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“... with the goal of redistributing of wealth from the suburban counties to Baltimore City.”



THE NEIGHBORHOOD MOVEMENT IN PHILADELPHIA

Edward Schwartz

We've heard that people want to live in cities of 25,000. But, Plato felt that the ideal city was 5,040 members—as that was the only number that was evenly divisible by every digit from one to ten, so you could create units that would be completely equitable.

“The larger the number of people in a community, the smaller the percentage of people who will make the decisions in it.”

In the 1780s in the United States there was a vast anti-federalist movement in the name communities no bigger than the neighborhoods we are describing here. The entire battle over the U.S. Constitution was whether we would have a national government that would supersede local governments, and if so—to what extent. The anti-federalists believed that America had to evolve as a decentralized agrarian society—but they lost that argument, basically on the issues of national defense and commerce.

But the anti-federalists made their point—that there were real trade-offs. Robert Michels in stating his “iron law of oligarchy” suggests that the larger the number of people in a community, the smaller the percentage of people who will make the decisions in it. In the City of Los Angeles, for example, if each resident wanted to speak for five minutes, we would be here for thirty years. So, needless to say, everyone doesn't get to speak.

Those of us who were involved in the neighborhood movement and have continued to be involved did not seek neighborhood government, but rather neighborhood empowerment—the capacity of people and groups within neighborhoods to hold the political system accountable to the goals that we share.

I will quote from DeTocqueville, “the township of New England possesses advantages which strongly excite the interest of mankind, namely independence and authority. The New Englander is attached to his township not so much because he was born in it, but because it is a free and strong community of which he is a member and which deserves the care spent in managing it.”

But DeTocqueville also describes the despotism that Americans have most to fear: “I seem to trace the novel features under which despotism may appear in the world. The first thing that strikes the observation is an innumerable multitude of men, all equal and alike, incessantly endeavoring to procure the petty and paltry pleasures with which they glut their lives, each of them living apart is as a stranger to the fate of all the rest, his children and his private friends constitute to him the whole of mankind. As for the rest of his fellow citizens, he is close to them, but he does not see them. He touches them, but he does not feel them. He exists only in himself and for himself alone. And if his kindred still remain to him, he may be said, at any rate, to have lost his country.”



You have to ask yourself about the San Fernando Valley—whether or not the relationships among citizens here are closer to that spirit of township or the spirit of despotism—because if it’s the latter, no matter what level of government you establish, the problems will remain.

Philadelphia civic associations have four basic goals for the city: cleanliness, safety, jobs and economic viability, and a decent place to raise children. The focus is less on the delivery of “services” but more on the notion of progress. How do we creatively repair or demolish thousands of boarded-up houses vacated by people who left the city for economic reasons? How do we help thousands caught-up in drug traffic, to cease that activity?

That requires a strategic relationship between citizens and government to improve conditions and to make people better citizens. We want to attract businesses—but also to help the 19,000-30,000 adults transitioning from welfare to the labor force. This is a task measured not by service, but by progress. The future requires far greater education and skill than that of the factory-based economy that Philadelphia left behind. That’s gone now. In the new economy, even a machinist must be a skilled technical craftsman.

So the question you need to ask is to what end—what exactly is supposed to be different under a new government that does not exist now? District by district there must be active tangible relationships between the governed and those in the government. Then you have a chance to succeed. Otherwise you will make all your reforms and nothing will be changed. 🌱

“... the township of New England possesses advantages which strongly excite the interest of mankind, namely independence and authority.”

—DeTocqueville

Edward A. Schwartz is President of the Institute for the Study of Civic Values (ISCV), an organization he founded in 1973, to develop education, research, and action programs that relate contemporary issues to America’s historic ideals. He has served as a Councilman-at-Large in Philadelphia, Pennsylvania and directed Philadelphia’s Office of Housing and Community Development (OHCD). The author of several books, he has written for a wide range of publications, including *The Nation*, *Philadelphia Daily News*, and the *Denver Law Journal*.

FRAGMENTATION AND DECENTRALIZATION IN SOUTHERN CALIFORNIA

SERVICE-BASED ECONOMIES OF SCALE

Shirley Svorny

“Research on fire protection shows that there are no economies of scale once you get past 20,000-25,000 households.”

I come to the idea of looking at city size from an institutional perspective. As an economist, I spend a lot of time thinking about what works and what doesn't work. If you set up institutional structures to give people the right incentives, you are going to get good results.

For example, it is not the talented people in Burbank, but the combination of talented people and an institutional structure and manageable size (approximately 100,000 residents) that make Burbank's city government function well. We could take the best city managers from Burbank, put them in charge of services in Los Angeles, and not expect to see substantive changes in service provision. As things stand, there is no scarcity of talented people in Los Angeles' government, but we still come up short in providing the basic city services residents want.

It is important to have a local ability to tax and regulate, to give people control in their communities. That is what will increase participation and yield positive outcomes.

In the debate over detachment, many people have expressed concern that costs would rise as we duplicate city services. Three preceding researchers, one after the other, have said that there are no economies of scale in larger cities. This means, if we were to downsize Los Angeles, it would not be more expensive, and might even be cheaper on a per-person basis. I hope this discussion will finally put an end to that concern.

Research on fire protection shows that there are no economies of scale once you get past 20,000-25,000 households. The same is true of police. Studies of similar communities, some served by large, others by small police departments, have found neither lower costs nor better services in the communities served by larger departments.

With respect to the potential role of neighborhood councils, I personally don't want to spend a lot of time in neighborhood council meetings. If the trash collectors in my area are not doing a good job, I would like the public officials to be accountable to the community—to make the necessary changes. The objective is not neighborhood participation per se, but services that please the neighborhood. 🌱

Shirley Svorny is professor of economics at California State University, Northridge (CSUN). She specializes in urban economics and is the founder and former director of CSUN's San Fernando Valley Economic Research Center. She authored the first three of the Center's Report of Findings on the San Fernando Valley Economy, which document economic, social, and demographic conditions in the San Fernando Valley. She has worked in the private sector as a vice president and senior economist at Security Pacific National Bank, and as an economist at Getty Oil Company. Her research on urban, labor and health economics has been published in scholarly volumes and journals, including most recently, *Urban Affairs Review*, the *Journal of Labor Research*, and *Regional Science and Urban Economics*. She has also written for the *Los Angeles Times* and the *Daily News*.

CONTRACT CITIES: THE LAKEWOOD PLAN

Sam Olivito

The California contract cities association was born 1957, as a direct result of the 1954 incorporation of the City of Lakewood—from which came the “Lakewood Plan,”—the first time a city was incorporated where all of its municipal services were contracted with the county. It has proven to be a very successful model, and has brought the closest form of local government and representation so far.

The premise behind contracting is that it costs less. There are advantages in areas of: pooled resources, personnel services, risk management, access to specialized equipment and procedures, and access to detailed records. And the flattened organizational structure results in lower direct and indirect costs. The protracted collective bargaining process is also reduced.

Training and technology can be continuously upgraded. Projects requiring a quick response can be integrated into the normal workload. Some of the headaches of the personnel administration are reduced. Detailed project definitions and entire cost restrictions encourage better planning. A greater source of service providers leads to increased organizational flexibility. Contracting personnel not compatible with the organization are easily replaced. Competitive bidding and lower costs can be the result.

Disadvantages include: loss of direct control over some cost factors, wages, and benefits; customer satisfaction issues are more difficult to resolve; community identity is somewhat weakened; contractors can exploit employees; detailed specifications are required to select appropriate contractors; and the city may have limited backup resources in an emergency. If the city lacks contract administration expertise, some additional control can be lost.

There needs to be a positive attitude toward local government and the authority for contracting. It is a community decision, and it has to be made by the community. Most municipalities that have incorporated have little choice because of today’s economics. 🌱

Sam Olivito is the executive director of the California Contract Cities Association, representing 75 of the contracting cities statewide. His experience encompasses analyzing legislation and fiscal appropriations and their effects on the public and private sectors. He has prepared and presented overviews of policy concerns and budgetary considerations at legislative reviews and hearings.

“... the flattened organizational structure results in lower direct and indirect costs.”

THE COUNCIL OF GOVERNMENTS: NETWORKING MUNICIPALITIES

Nicholas T. Conway

Let's move the discussion to a laboratory ten miles to the east, and talk about the San Gabriel Valley. Otherwise similar to the San Fernando Valley, San Gabriel Valley residents are distributed across some 30 incorporated and unincorporated county communities, while the San Fernando Valley has 75% of its population contained within in the City of Los Angeles.

We have approximately 550,000 employees working in some 68,000 private businesses. Our average city has a population of about 29,000. Residents are fiercely proud, and community size is really not as important as its identity, and community of interest. We have one incorporation drive currently in process for Hacienda Heights, and two more coming up, for Altadena and Rowland Heights.

We have cities that provide their own services and cities that contract for services. 14 of our 30 cities provide their own police department and 16 cities contract with the county. Cities have now even started contracting with each other. A number of cities originally went to the county for fire services, thinking that there would be an economy of scale with the larger agency. That trend is now reversing, and many are going back to contract with individual cities or to band together in groups of two or three to achieve the proper economy of scale.

The cities like working together with the Council of Governments, which is a joint powers agency formed five years ago to deal with regional agencies such as the MTA and the county. The numbers were very clear—San Gabriel Valley was not getting its fair share of resources. Since the COG was formed, we now see over two billion dollars worth of government infrastructure allocated and under construction.

What occurred out of that was not a change in the culture of the cities, but a greater recognition of their identity and of local control. At the same time, they recognize the need to work together as a region for the long-term success of the San Gabriel Valley. 🌱

Nicholas T. Conway serves as the Executive Director for the San Gabriel Valley Council of Governments, a joint powers agency representing the 2 million California residents living in 31 incorporated cities and unincorporated communities. Since its creation five years ago, the San Gabriel Valley Council of Governments has been responsible for securing more than \$2 billion dollars in Government funded transportation projects (Alameda Corridor-East and Pasadena Blue Line); sponsoring State legislation to create a San Gabriel Mountains and Rivers Conservancy, the nation's largest urban conservancy; and securing approval of a regional housing allocation plan for the 30 cities in the San Gabriel Valley.

LOCAL RULE: BOROUGH COUNCILS

David W. Fleming

The combined cities of San Francisco, Minneapolis, Boston, St. Louis, Cleveland, Milwaukee and even Manhattan Island could fit inside the boundaries of the City of Los Angeles with room to spare. Covering half a thousand square miles, the City is not only huge in size, but also in population, with nearly 4 million residents. One-third of the City's residents live in the San Fernando Valley. Bob Hertzberg, Speaker of the California Assembly, has said that he is impressed with the structure of the neighboring San Gabriel Valley. It is made up of 30-plus mid-size cities and communities. He believes "you get better service in those smaller cities and at a lower cost than anywhere else." There is a lesson in this for the San Fernando Valley.

Politicians and bureaucrats who are far-removed, tend to be less concerned over issues that don't directly impact their personal lives. The San Fernando Valley is geographically out of the loop for all but a few of the 15 Los Angeles City Council members—so it's "not their problem"!

For the most part, the City of Los Angeles values the Valley for the revenue it produces. It has indicated no desire to develop a structure to empower local communities—choosing instead to placate residents with the creation of such things as advisory Neighborhood Councils—which are little more than placebos. After all, the right to advise government was guaranteed to Americans over 200 years ago.

Metropolitan Tokyo is physically larger than Los Angeles and has a much larger population (12 million). In Tokyo they divided city government into scores of districts that are almost totally autonomous. The only thing the central city handles is fire, sewers and transit. Everything else is managed by the districts, including the power to tax. The districts remit a portion of those taxes back to the central city government where a "Board of Equalization" redistributes some of those revenues to poorer districts, which have lower tax revenues and greater civic needs. The system works well, and with its built-in safety net, no one is left out.

If the San Fernando Valley were a separate city, council representation would become more personalized, from 250,000 people per representative to 100,000. But, as the sixth most populace city in the United States, it would still be better off with a sub-district or borough system.

During the Los Angeles Charter Reform debate I suggested the creation of quasi-cities or boroughs. Sam Bell, executive director of Los Angeles Business Advisors—an organization of CEOs from major area companies—agreed that empowering districts, boroughs or communities was a worthy idea—but felt it would be fraught with anti-development Nimbyism.

"Politicians and bureaucrats who are far-removed, tend to be less concerned over issues that don't directly impact their personal lives."

“Why should residents say ‘yes’ to such a plan when all they are going to get is dust, dirt and traffic congestion?”

Examining the cities of Burbank or Glendale, or any of dozens of smaller cities in the county, one doesn’t encounter an extraordinary anti-development sentiment. Why? Because they each enjoy the added tax revenues generated by new development—which they use to enhance city services and improvements. Today in Los Angeles, when a developer comes in with a development plan there is no cost-benefit to the local community. Why should residents say “yes” to such a plan when all they are going to get is dust, dirt and traffic congestion? Who wants only the bad and none of the good? In every case today, the good (the increased tax revenues produced by new development) goes downtown and disappears into the City’s gaping bureaucracy.

I can think of no better place to institute a borough system than in the Valley, where people have identified with communities for decades. Valley people understand communities. They live in them—they work in them—they know them as their own. I can see a San Fernando Valley, somewhat like the San Gabriel Valley, only as a two-tiered system, with community boroughs or districts, with the autonomy to be able to do those things that the people in those districts desire, so long as they don’t impinge on their neighboring boroughs.

Residents only need look to nearby examples of how to reorganize the San Fernando Valley. Even staunch opponents to Valley secession, such as State Librarian Kenneth Starr agree that Los Angeles needs to investigate new empowerment structures for local and regional governance. Today’s Los Angeles could be a world-class city with an outstanding quality of life. But, it will take a willingness to think anew and permit citizen empowerment at the local level if it is to realize its potential. 🌱

COMMUNITY-BASED GOVERNANCE

Robert L. Scott

Robert Nelson talked about Private Neighborhood Associations—the consensual empowerment of local communities. These might also be constituted as charter neighborhoods. Neighborhoods empowered to take on all or part their local municipal functions.

The relatively new charter school models have proven in many cases to be an antidote for failing school systems such as the L.A. Unified School District. That model has been expanded in places like Pacific Palisades, where they have put a group of charter schools together to create a charter cluster. This bottom-up, user-driven model for local governance could be applied to charter neighborhoods.

Neighborhoods could also be modeled as Neighborhood Improvement Districts (NIDS), and function with government sanction, similar to the way Business Improvement Districts (BIDs) do. BIDs petition the municipality, conduct a vote of those in the proposed area whose interests will be affected. The district can then collect fees and levies to finance supplemental improvements and services on a local basis.

Any localized model tends to reverse the top-down paradigm—with the most local level becoming the default jurisdiction. Higher-level networks for production of services can then be created on an as-needed basis, or where scale efficiencies can be clearly demonstrated. Flexibility and efficiency are maximized by starting locally and working up to the regional level.

This process is not possible in large bureaucracies where a municipality—the lowest legal level of government—already exists. In a sense, the ladder has already been pulled-up. The only option in this case is to restructure, in order to recreate a local governance level.

What is the right size for governance, at least in terms of something like transportation? Nick Conway speaks of the San Gabriel Valley, and its very successful Foothill Transit District. A similar transit zone has been attempted in the San Fernando Valley, but blocked by the overarching Metropolitan Transportation Authority.

Options are plentiful for new contract cities to attain scale efficiencies. There are unlimited possibilities for “smartsizing” local government departments. These measures can minimize local taxes, while maximizing service delivery and customer satisfaction.

Los Angeles can't start with a blank sheet of paper, but its communities can be put ahead of politics, by erasing political lines and thinking in new ways about successful governance. The City of Los Angeles is, for the most part, built-out. Virtually everything is now redevelopment and in-fill. Over the last 50-75 years local communities have each developed a distinctive personality—a unique set of qualities and challenges. This makes localized governance all the more essential. In order to sustain and stabilize communities, the sense of place has to be preserved, and local governance has to be placed in the hands of people who know and understand the community—because they live there. 🌱



“There are unlimited possibilities for ‘smartsizing’ local government departments.”

