

The

CORNERSTONE

PERFORMANCE AUDITS • STRATEGIC PLANNING • ORGANIZATION DEVELOPMENT • TRAINING

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**Cost Benefit Analysis:
Small Cities Disincorporate Now!**

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Right. Not going to happen in my lifetime or yours. Having stipulated to the obvious, most professional municipal government officials would admit, albeit not in public, that many small cities would disappear if, like in the private sector, they were subject to mergers and acquisitions.

Why? Small cities, like many small companies, have a unit cost of production comparable to at least most mid-sized cities.

A Powerful Dilemma: Small Cities Are in a Squeeze

Private sector organizations come and go based on their ability to constantly “add value” for their customers. They change and adapt, or they’re gone. This

highly successful process is commonly referred to as creative destruction, “[the] process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one.”¹

This creative destruction process doesn’t take place among cities. There are no hungry competitive forces. Because of this reality, small cities get stuck in a dilemma. They get caught in the squeeze between two powerful forces:

Force One: The desire on the part of taxpayers to feel they have their own locally-controlled municipal government. They want it to be accessible, responsive, and an intimate part of the fabric of the community.

Force Two: The continual rise in the cost of goods and services and the complexity of providing services needed to meet community expectations. Small cities can’t achieve the cost benefits and level of personnel expertise that come with being at least a mid-sized organization. (Very large organizations often suffer from the opposite problem of not being nimble enough, so their unit cost of production in many areas may be high as well.)

¹<http://dictionary.reference.com/browse/creative+destruction>

Consolidating Small City and District Services Can Work

In the mid-90s I was city manager in a small city in eastern Contra Costa County. It was the fastest growing city in the state according to the California Department of Finance during the entire time of my service. A well-established special district had historically been providing the city’s parks and recreation services for decades.

The district was proud of its well-earned affection from the community, but it was struggling to keep pace with the city’s rapid growth. Master planning for the district’s services and facilities had fallen way behind. The district’s finances could not keep up. They were in trouble.

The general manager and I began a dialogue, first at the peer-to-peer level and then at the technical level. In time, we brought in the city’s and district’s elected officials for policy leadership.

Then we brought in the staffs. The special district eventually consolidated its services with the city. The highly successful process was akin to childbirth: lots of communication, lots of hard work, and certainly some pain. But it was worth the effort.

The community to this day remains very proud of its parks and recreation program. It has grown

and prospered, and is well ahead on the city's facility and program demand curve.

Over a period of several years, through interagency joint ventures, we were able to leverage services and achieve multi-million dollar savings in other important program areas.

Opportunities for joint venturing between small cities and districts are numerable. The most fruitful area of opportunity for controlling costs and increasing efficiency and effectiveness is in the public safety arena: fire protection, emergency medical services, and police services. No surprise.

Other opportunities exist in business license administration, code enforcement, finance administration, human resources, purchasing, animal care and control, information technology, parks and recreation, fleet maintenance, facility maintenance, city engineering, and capital improvement administration.

Lessons Learned: Getting Out of the Small City Dilemma

At Citygate Associates, LLC, we have worked effectively with many different agencies in implementing the steps necessary to successfully achieve getting out of the small city dilemma.

The graphic below provides a summary of what leads to successful joint ventures between small cities.

Budget Season Has Already Started: Act Now

Give Citygate a call today to discuss your needs. We have practical solutions borne from decades of successful management in complicated and challenging local government situations. We are experienced managers with a lot of time spent in the trenches through economic downturns.

Put us on your team for your most difficult project, including tough interagency opportunities like the examples described above. We can provide you with a written proposal almost immediately. The return on this one-time investment will provide structural cost savings and service enhancements to your city for years to come.

Often you can benefit from the experience of others. If you are wondering whether Citygate can help you in any of these areas, please call us.

If we can be of value to you, we would like to help. Please contact Jay Corey by phone at (510) 303-0327 or via email at jcorey@citygateassociates.com.

STEPS TO SUCCESSFUL JOINT VENTURES BETWEEN CITIES

STEP ONE	Clarifying the Negatives Under the "Take No Action" Scenario
STEP TWO	Building Relationships With Your Peers: Asking for Help
STEP THREE	Receiving Authority to Explore from Elected Leaders
STEP FOUR	Calming Nerves by Broadening the Circle of Discussion
STEP FIVE	Championing the Opportunities and Constraints: Real or Imagined
STEP SIX	Knowing the Timelines: Creating a Sense of Urgency
STEP SEVEN	Governance: Establishing Roles of Elected and Appointed Officials
STEP EIGHT	Going Live: Starting the New Venture Programs
STEP NINE	Tweaking and Maintaining the New Venture Programs
STEP TEN	Building on Success: Repeat the Above



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Citygate Associates, LLC is a management consulting firm providing services to local and state governments. Citygate specializes in:

- Management Studies
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- Performance Audits
- Strategic Planning
- Organizational Development
- Community Development
- Fire Protection and Emergency Medical Services
- Animal Care and Control
- Budget and Financial Analysis
- Leadership Training and Team Development.

Citygate's clients benefit due to their ability to provide more effective and cost-efficient services through improved management approaches and systems, clarified focus, and upgraded skills.

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