



Smart Investments Introduction

■ FISCAL CRISIS: GROWTH AND DEVELOPMENT FACTORS

Many of America's local governments are in the grip of a growing fiscal crisis. Newspaper headlines tell the story: one state abolishes a financially strapped county; voters in another state's largest city consider a referendum to dissolve the debt-plagued city government and turn its functions over to the county; towns large and small struggle to pay for basic services and infrastructure maintenance. Although the details of the stories differ, they are linked by one recurring theme: much of the fiscal crisis stems from growth and development that could no longer be sustained.

Consider a typical, heavily urbanized city. After the rapid economic growth and population influx of the 1950s and 60s, it has now fallen victim to many of America's urban ills: the flight of investment dollars away from the central city, the migration of businesses and residents to the sprawling suburbs, the proliferation of idle "brownfields" properties and a shrinking city tax base. Many suburbs, meanwhile, suffer from growth-related fiscal pressures of a different sort. Having experienced rapid development in the '60s, '70s and '80s, they now face the end of the building boom. The growth in their local tax bases is leveling off just as large numbers of young families are sending their children to already overcrowded schools. The financial burden on local governments is increasing.



Even rural communities have begun to feel the pinch. Demand for land and open space is escalating in proportion to the spread of nearby suburbs. It frequently triggers conversion of rural land to residential subdivisions. Such change is often unsupported by sufficient growth in the tax base to pay for the increased infrastructure and service

needs. As a result, these communities must now cover higher costs while trying to maintain the very characteristics that have attracted new residents.

Such fiscal pressures require short-term measures to hold down local government costs and avert immediate fiscal crisis, and, even more important, long-term efforts to change patterns of growth and development. Community leaders need to recognize that unstructured development, or “sprawl,” is a major cause of rising infrastructure and service costs. This guide contains ideas to help identify and implement a mix of short-term and long-term fiscal solutions that should alleviate the pressure on limited budgets, while enhancing the ability to provide public services and encourage better development.



■ SMART INVESTMENTS: THE TOOLS FOR SMART GROWTH

The guide serves three purposes:

- to help local governments control rising costs and avert fiscal crises,
- to promote growth that benefits the economy and the environment and
- to highlight outreach activities that will build public support for these efforts.

Smart Investments are innovative money-saving practices that help city managers stretch their limited resources to provide more and better services with less damage to the environment. Many Smart Investments in energy efficiency, waste management, and water conservation are already paying off for local governments across the country. By also promoting greater use of public transit and existing infrastructure in new developments, communities can create local and regional growth patterns that will enhance rather than compromise their future economic and environmental health.

Smart Investments
*Programs and practices with returns
that exceed initial costs and that
promote smart growth.*

To assist communities in recognizing and overcoming the effects of unchecked sprawl development, EPA recently formed the Smart Growth Network, a coalition of public, private, and non-govern-

mental organizations devoted to the goal of improving development practices. Through the creation and dissemination of reports, manuals, and guides on “smart growth” practices, the Smart Growth Network provides communities with the tools and guidance they need to revitalize existing communities and better manage development on the ex-urban fringe. This Smart Investments Guide,

one of EPA's Smart Growth Network tools, is intended to serve as an information and policy planning resource for city and county managers. By helping managers avert fiscal crisis while improving the quality of public services, this guide can help ensure both continued economic opportunity and a high quality of life for local residents.

■ WHY \$MART "INVESTMENTS?"

This guide to Smart "Investments" for City and County Managers highlights programs and innovative practices that, like investments, yield financial returns. And in most cases, like other good investments, they yield returns that far exceed their initial cost. In fact, many can be implemented at little or no cost to local governments, and will leverage benefits to the community over and above the cost savings for public services alone. Those programs that do require initial outlays will often pay for themselves within one or two years. Although some steps, such as extensive water conservation for large municipalities, may involve longer term investments with paybacks of six to ten years, those investments can frequently be financed through low-interest loans, grant programs, utility rebate programs, or leasing agreements that substantially reduce up-front costs.

Not all of the investments listed in this guide are equally useful for every local government, but many cities, counties and even small towns have pioneered these ideas and realized substantial gains. The key to their success is thorough evaluation of local assets, needs and options; evaluation that led those communities to sound investments in their future. From the range of short-term and long-term investment opportunities and financing mechanisms illustrated here, local government managers can select those that best fit their needs and promise optimal returns.

■ WHY SHOULD \$MART INVESTMENTS MATTER TO YOU?

Smart Investments will save you money. As a city or county manager, you work hard to make your community a better place for everybody. Every day, you are faced with the challenge of delivering more and more essential public services, while at the same time minimizing the costs to taxpayers (see page 1-4). That's why Smart Investments should matter to you. They will save you money!

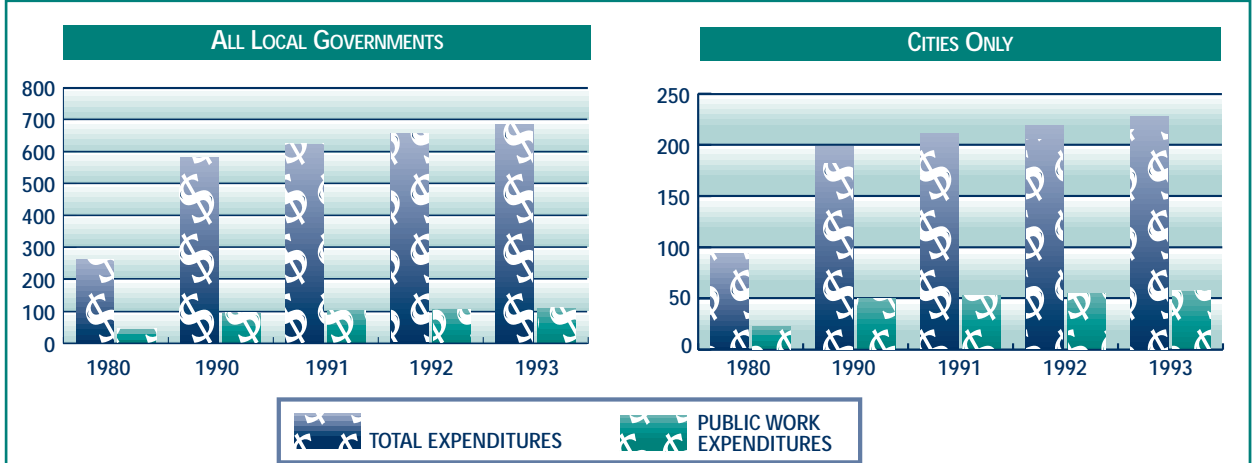
And as much as smart investing should matter to you, your choices matter to all of us as citizens. Collectively, local governments in the United States operate a dizzying array of public facilities — from schools, libraries, convention centers, and office buildings, to hospitals, fire stations, airports, and prisons. We all want them to work well. Investments that reduce the amounts of water and energy these facilities use, as well as the amounts of wastewater and solid waste they generate, simply make good financial sense because they lower operating costs. By lowering local government costs, these investments can eliminate the need to raise the taxes and fees that residents must pay. Local governments can further



THE LOCAL PUBLIC WORKS BUDGET PICTURE

Local governments' costs for the operation and maintenance of public infrastructure and services are considerable. Public works expenditures account for approximately 16 percent of local budgets and represent about 25 percent of city budgets. In 1993, sewerage and sanitation, electricity generation, public water systems, and highways were among the six largest budget categories for city governments.

TRENDS IN LOCAL GOVERNMENT PUBLIC WORKS EXPENDITURES



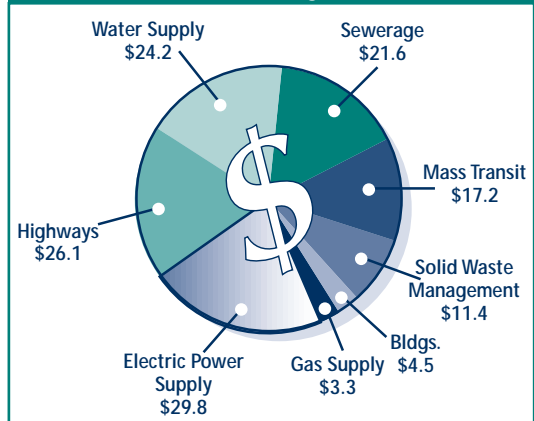
Public works expenditures includes highways, sewerage, water supply, solid waste management, mass transit, airport transportation, and water transport and terminals.

Source: U.S. Department of Commerce, Bureau of the Census. Statistical Abstract of the United States, 1995; and U.S. Department of Commerce, Bureau of the Census. Statistical Abstract of the United States, 1996.

From 1980 to 1993, excluding electric power supply costs, annual city and county spending for public works nearly tripled, rising from \$44.2 billion to \$110.5 billion, led by a \$15 billion increase in water supply costs. Between 1990 and 1993 alone, local public works expenditures increased by more than 16 percent.¹ Slowing this growth in spending is increasingly important in the face of dwindling federal and state assistance for a variety of local programs.

A breakdown of local government public works costs for the fiscal year ending in 1993 reveals that the top six categories — electric power supply, highways, water supply, sewerage, mass transit and solid waste management — together totaled more than \$130 billion, accounting for 19 percent of local budgets. Operation and maintenance costs (O&M) account for nearly 75 percent of electric power supply, water supply and mass transit expenditures, and nearly 90 percent of solid waste management costs. The potential fiscal benefits to local governments from reductions in these O&M costs are significant. Although municipal electric utilities are usually operated as quasi-private entities using separate funds, and do not directly impact local budgets, keeping their costs low can still benefit the local government and the community by lowering electric rates and creating a more attractive business and investment climate.

AGGREGATE LOCAL GOVERNMENT PUBLIC WORKS EXPENDITURE BY CATEGORY (Fiscal Year Ending in 1993)



Source: U.S. Bureau of the Census, Internet Site, <http://www.census.gov/ftp/pub/govs/www/index.html> (accessed 5/6/97)

1. U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy, Technical Information Program. "Energy Efficiency Strengthens Local Economies," Cities and Counties Project Fact Sheet #3.

reduce costs by facilitating private development near existing infrastructure and encouraging greater use of public transit, eliminating the need to expand infrastructure and transportation corridors into undeveloped property.

Smart Investments protect the environment. In addition to their fiscal benefits, many of the investments identified in this guide will yield significant environmental benefits. Cutting energy consumption reduces air pollution from power plants and slows the use of natural resources such as coal and oil. Increased recycling and decreased production of solid wastes can prolong the life of existing landfills or eliminate the need for new ones. Better conservation of water results in healthier ecosystems. Improved public transit and expanded alternatives to commuting relieve traffic congestion and improve air quality. In short, Smart Investments should matter to *everyone*.

■ HOW TO USE THIS GUIDE TO HELP YOUR BOTTOM LINE

This guide highlights Smart Investments in five major categories: energy efficiency, water conservation, waste management, transportation and development. Each category is addressed in its own chapter, with a focus on policies, programs and practices that reduce local governments' costs and promote the goal of smart growth. Each chapter presents information on federal programs, case studies of innovative local initiatives, and specific examples of savings.

Local governments can use the program information and case studies to generate ideas and options for Smart Investment plans for their communities. At the end of each chapter, a section entitled "Getting Started" presents considerations and tips for designing and implementing local programs, along with a list of contact people and sources of additional information. By drawing on the ideas and experiences of others who have made Smart Investments work for them, you will be well on your way to improving your local government's bottom line and your community's economic and environmental health.

The final chapter of the guide, entitled "Community Outreach: Gaining Public Support for Smart Investments," emphasizes the importance of involving local residents, businesses and community leaders in the planning and implementation of your Smart Investments strategy. Case studies of successful outreach efforts provide guidance in developing an outreach plan for your community. This chapter also demonstrates ways to implement that plan through examples of specific education and outreach tools that have proven effective in building community support for Smart Investments.

