Regional Options

Report of the Advisory Council on Local Government

AUGUST 1998

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THE ADVISORY COUNCIL ON LOCAL GOVERNMENT was established by the Minnesota Legislature in 1997 to make recommendations concerning the appropriate roles and responsibilities of local and regional government in the metropolitan area.

ACKNOWLEDGMENTS

The Advisory Council on Local Government thanks the Association of Metropolitan Municipalities and Roger Peterson, the association's director of legislative affairs, for their generous assistance with meeting arrangements and Larry Bakken for facilitating the February 27, 1998, meeting.

Minnesota Planning provided staff assistance to the Advisory Council on Local Government.

Regional Options: Report of the Advisory Council on Local Government was prepared by Jay Fonkert with assistance from Becky Buhler, Susan Roth and Amy Walter.

This report satisfies the 1997 Session Laws, Chapter 202, Section 54, mandating the council to study the appropriate roles and responsibilities of local and regional government in the metropolitan area and make recommendations to the Legislature by July 1, 1998. The cost to prepare this report was $5,425.

August 1998

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Regional Options: Report of the Advisory Council on Local Government

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Summary

The 1997 Minnesota Legislature created a temporary 25-member Advisory Council on Local Government to make recommendations concerning the appropriate roles and responsibilities of local and regional government in the Twin Cities metropolitan area of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties. The council is authorized to continue its work through June 1999, but a report to the Legislature was required at the end of its first year, in June 1998.

The council membership consists of four representatives each of cities and counties, two representatives each of townships and school districts, the chair of the Metropolitan Council, four state senators, four state representatives and four members appointed by the Governor.

In the course of 18 meetings, the advisory council informally inventoried the responsibilities of different levels of government and discussed which functions required mostly local or regional action. The council focused its attention on transportation, but with an eye toward lessons that could be drawn for other service areas.

A key theme in the advisory council's discussion was the growing interdependence of the seven-county metropolitan area and a group of Minnesota and Wisconsin "ring" counties surrounding the seven counties. The council made six recommendations:

■ The Legislature should acknowledge the expansion of the Twin Cities region beyond the seven-county boundary of the Metropolitan Council and take the reality of a broader zone of metropolitan influence fully into account when making funding and policy decisions.

■ To facilitate better coordinated transportation planning between the seven-county Twin Cities area and the ring counties, the geographic boundaries of the Transportation Advisory Board should be expanded and representation added from the counties adjacent to the metropolitan area as currently defined.

■ The Legislature should direct the Metropolitan Council to offer voluntary, nonvoting affiliate status to Minnesota and Wisconsin counties adjacent to the seven metropolitan area counties.

■ The Legislature should request that the Legislative Auditor conduct a study of the 1994 merger of the Metropolitan Waste Control Commission and the Metropolitan Transit Commission into the Metropolitan Council to determine and compare operational efficiency, service cost-effectiveness, oversight and accountability, and, after such a study, conduct oversight hearings regarding the merger.

■ The Legislature should fund technical assistance and demonstration grants to encourage the creation of local service corporations for the joint provision of public services.

■ State and local governments should use fiscal incentives and other regulatory powers directed at both governments and individuals to encourage compact development and redevelopment patterns that use existing infrastructure, reduce dependence on automobiles and preserve open space, while making housing, shopping and employment accessible by transit.

Introduction

Local governments touch the lives of Minnesotans every day. They put out fires, keep traffic moving, provide assistance to those in need, send water to the tap, teach children, inspect buildings and provide dozens of other services that are essential to community life.

A multilayered and varied group of local and regional authorities serve the Twin Cities region — a diverse set of communities and neighborhoods of nearly 2.5 million people and some 2,800 square miles. The current arrangement of municipalities, counties, school districts, special districts and regional authorities has developed over many decades. It is both home-grown from local initiative and the result of state design.

Population growth, technological change and economic competition call into question the suitability of the region's governmental institutions as the region enters a new century. Governmental arrangements in the future most likely will build on those that have grown up in the last century. But in this evolution, there is room for fundamental changes in how governments organize to serve citizen's needs.

The 1997 Minnesota Legislature created a temporary 25-member Advisory Council on Local Government to make recommendations concerning the appropriate roles and responsibilities of local and regional government in the seven-county metropolitan area of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties. The Legislature asked the advisory council to examine:

- What services should be provided and what functions fulfilled by local or regional government

- What level of government is appropriate for the efficient, effective and equitable delivery of these services and functions

- What powers are needed by local and regional governments to deliver the services

- What governance structures will meet the identified roles and responsibilities of local and regional governments while being responsive, understandable and accountable to citizens

The Advisory Council on Local Government consists of four members each representing cities and counties, two members each representing townships and school districts, the chair of the Metropolitan Council, four state representatives, four state senators and four members appointed by the Governor.

The council met 18 times between October 1997 and June 1998. Minnesota Planning provided staff support to the council, which is authorized to continue its work through June 1999. Numerous speakers shared their expertise with the council; they are identified in the box on page 14.

The advisory council responded to its charge by taking an informal inventory of the functional responsibilities of different levels of government in the region and by discussing which services require mostly local or regional action. To completely carry out its charge, the advisory council would have had to exhaustively examine every kind of local government service, ranging from fire protection to hazardous waste management to welfare administration to education. Instead, the council chose to narrow its initial focus to transportation, a regionally significant service

that poses serious challenges for the region's future. It intended its examination of transportation to serve as a model for evaluating governance arrangements for other local and regional services and to suggest lessons for other areas.

Local government in the Twin Cities area

Minnesota has two kinds of local government: "general purpose," which provides a broad range of services, and "single purpose," which performs only one function. There are two layers of general-purpose governments — counties and municipalities — as well as overlapping layers of single-purpose governments, such as school districts and other special districts. The upshot is that every Minnesotan is served by at least three local governments: county, school district and city or township.

The metropolitan area has seven county governments, 140 cities, 49 townships, 48 school districts, more than 60 other single-purpose districts and the Metropolitan Council, which coordinates regional planning and operates regional services. These 300-odd governments, ranging from tiny to large, together spend more than $7.3 billion annually.

Each of these governments has distinct as well as shared functions:

■ **Counties**. Before the 1970s, counties functioned largely as administrative arms of the state, responsible for welfare and other social services, public health, courts and corrections, property records and tax assessments, and roads. In addition, Hennepin County and some nonmetropolitan counties own and operate public hospitals. County functions have expanded recently to include more municipal-type functions, including libraries, parks, land use planning, water supply and sewerage, and solid waste management.

■ **Cities**. Cities have fewer day-to-day dealings with the state than do counties. In addition, state law allows cities to adopt home rule charters under which they can assume powers not specifically prohibited by state law. Cities have traditionally specialized in property-related services such as police and fire protection, water and sewer services, parks and recreation, residential street construction and maintenance, as well as planning, zoning and building code inspections.

■ **Townships**. Townships traditionally have served rural areas outside cities, assuming few major functions beyond the maintenance of rural roads. This model still holds true in many agricultural areas, but in the developing fringe of the Twin Cities region, townships increasingly provide many of the same services as cities. In the early 1970s, several townships in the Twin Cities area incorporated as cities. The fundamental difference between cities and townships is that many township powers can be exercised directly by voters at an annual town meeting.

■ **School districts**. School districts are primarily single-purpose governmental units that were once limited in authority to providing education, but now are involved in meeting the health and human services needs of students. Their services include traditional elementary and secondary education, as well as adult literacy programs, early childhood education and adult community education.

They are governed by locally elected school boards, but their finances are tightly regulated by the state.

■ **Special districts**. Special districts are single-purpose governments created to perform a single function. Some are designed to deliver services in more than one city or county. Others were created to remove budgeting and policy-making for such services as libraries and parks from the control of local general-purpose governments. Minnesota makes less use of special districts than most states, ranking 25th with 377 units, according to the 1992 federal Census of Governments. The most common special districts in the Twin Cities area are housing and redevelopment authorities, soil and water conservation districts and watershed districts. Among the more prominent special districts in the Twin Cities area are the Metropolitan Airports Commission and the Metropolitan Mosquito Control District. There is no general set of laws governing all special districts. Rather, a separate set of statutes authorizes and governs each kind.

Metropolitan Council. The Metropolitan Council can be thought of as a special district for regional planning, but the scope of its authority was broadened in 1994 to give it direct responsibility for transit operations and for wastewater collection and treatment. Before then, the council approved capital budgets (but not operating budgets) for the Metropolitan Transit Commission and Metropolitan Waste Control Commission, as well as the Metropolitan Airports Commission, which remains an independent operating agency. The Metropolitan Council's 1996 property tax levy — most of which is for transit — was $112 million, compared to more than $3 billion total for cities, counties, townships and school districts in the metropolitan area.

Metropolitan-area governments range from small to large

	Counties	Cities	Townships	School districts
Number of units in 1998	7	138	48	48
Total 1995 expenditures	$1,529,320,166	$2,268,543,436	$17,983,448	$3,547,149,165
1995 population				
Smallest	Carver 57,010	New Trier 97	Chaska 181	District 195 Randolph 486 students
Median	Anoka 272,636	Falcon Heights 5,355	Waconia 1,345	District 200 Hastings 5,215 students
Largest	Hennepin 1,063,631	Minneapolis 365,889	White Bear 10,529	District SP1 Minneapolis 45,725 students

Notes: The number of government units in 1998 does not include the cities of Northfield, Hanover and New Prague, which lie partly within the seven-county area, because state law excludes them from the jurisdiction of the Metropolitan Council. Expenditures of Grant Township are included in total city expenditures because Grant was an incorporated city in 1998. Comparable data on special district governments is not available.

Sources: Office of the State Auditor and Department of Children, Families & Learning

The distinctions between these types of governments have become increasingly blurred. In the past, it was often remarked that counties dealt primarily with "people services," while cities dealt more with "property services." This distinction has faded as counties have become more focused on serving urban residents, and cities — especially central cities — have tackled housing and other social problems. Cities and counties are involved in many of the same service areas, including libraries, parks and recreation, and public safety. Schools and counties also increasingly find themselves serving the same families as they try to deal with family and social problems that affect children in school. Cities and school districts are cooperating in recreational programs, and many cities and counties are exploring cooperative arrangements in public health, law enforcement and other areas.

Some local units have sought efficiencies by merging services. St. Paul and Ramsey County have merged their election bureaus and health departments. Mergers of city police and county sheriff's departments have been proposed elsewhere. Mergers are still rare, but local governments make widespread use of joint powers agreements to share services and facilities. A 1991 League of Minnesota Cities survey found that 294 cities had more than 1,800 joint powers agreements, most commonly for law enforcement, fire protection, and health and safety.

Issues and findings

Changing demographics, new technology, and state and federal mandates are making new demands on local governments. The population of the Twin Cities region has doubled since 1950, but the older, core cities have lost more than 200,000 people. Many local governments have made inventive use of new technologies, cooperative intergovernmental agreements and service redesign to meet citizen's demands for high-quality services at reasonable cost.

The advisory council's review of the challenges facing local and regional governments in the Twin Cities region revealed three key themes.

■ Communities across the region are undeniably interdependent. Many vital urban services demand a regional view, regional cooperation and, in some

Population growth in ring counties has outpaced that in seven metropolitan counties since 1970

Area	1950	1970	1990	1996	Percent change 1950-1996	Percent change 1970-1996
Seven counties	1,165,694	1,874,612	2,288,721	2,482,858	113%	32%
Ring counties	260,921	320,226	444,394	498,311	91%	56%
Minnesota ring counties	188,624	232,554	326,605	369,419	96%	59%
Wisconsin ring counties	72,297	87,672	117,789	128,892	78%	47%
Minneapolis	521,718	434,400	368,382	364,382	-30%	-16%
St. Paul	311,349	309,866	272,235	270,441	-13%	-13%

Notes: The seven metropolitan area counties are Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington. The ring counties are Chisago, Isanti, Goodhue, Le Sueur, Rice, McLeod, Sibley, Sherburne and Wright in Minnesota and Pierce, Polk and St. Croix in Wisconsin.

Sources: Wisconsin Department of Administration, Wisconsin Demographic Services Center, U.S. Bureau of the Census and State Demographic Center at Minnesota Planning

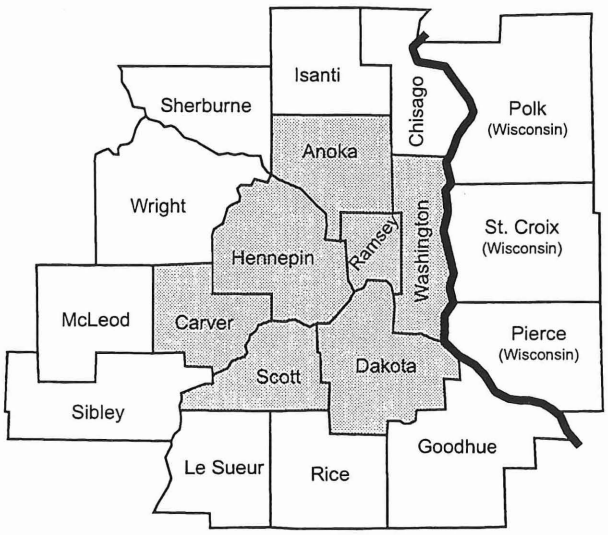
cases, regionwide solutions. The best definition of the region may depend on the issue or challenge at hand.

■ The Twin Cities region is growing beyond the seven-county jurisdiction of the Metropolitan Council, resulting in a mismatch with the institutions created to plan and manage regional services. In discussing this larger region, the advisory council uses the term *ring counties* to refer to counties in Minnesota and Wisconsin that surround the seven metropolitan area counties covered by the Metropolitan Council. This ring includes adjacent counties and possibly others with strong ties to the Twin Cities.

■ People care about service quality and cost, as well as who delivers services. Public demand for good service at a reasonable cost compels the region's leaders to search continuously for better ways of doing things.

These themes emerged from the advisory council's examination of regional transportation services but have implications for much more than transportation.The council chose to focus on transportation for three reasons. First, transportation by both public means and private vehicles is expensive. Second, ease of movement of people and freight, made possible by publicly financed right-of-ways and terminals, is essential to the region's economic viability. Finally, transportation is a complex, intergovernmental service, cooperatively financed and administered by federal, state and local authorities.

Adding adjacent counties would triple metropolitan area's size



The Twin Cities area has good highways, a well-managed bus system and, at least for now, relatively low levels of congestion compared to other regions. The outlook for the future, however, is less sanguine. The number of freeway miles with serious congestion problems has already more than doubled since 1984 and is expected to grow from 200 miles today to 326 miles by 2015. No major additions to highway capacity are expected. Funding is in place for the first line of a light-rail transit system, but some experts warn that, while light rail will increase somewhat the capacity of the overall transportation system, highways will likely remain congested.

The advisory council's goal is not to recommend transportation solutions but rather to make suggestions concerning governance arrangements for transportation and other services. Four findings emerged from its work.

■ The number of trips that cross the region's seven-county boundary is increasing, but no institutional structure exists for coordinating transportation planning or operations between the seven-county metropolitan area and its ring counties. As population growth has spilled beyond the seven counties comprising the Metropolitan Council's jurisdiction, the number of trips between those counties and the ring counties have increased. Growth beyond the seven-county region places demands on the region's transportation system and transportation investments within the seven-county region influence patterns of growth in the ring counties. No formal means exists for ensuring that planning is coordinated across the regional boundary.

■ Land use patterns influence demands for transportation, but land use and transportation decisions are largely made independently of each other. As is widely recognized, development patterns affect transportation demand and influence the practicality of transit. Conversely, expected availability of transit might influence building decisions. In the seven-county area, the Metropolitan Council has responsibility for transportation planning and establishes a regional development framework to guide local planning, but specific zoning and land use decisions are made locally. Large-lot development patterns at the edges of the metropolitan area have limited the amount of land available for urban-density development, contributing to development leapfrogging into the ring counties.

■ Transit lacks a strong constituency, which makes it difficult to garner adequate political support for operating subsidies and major transit investments. Most taxpayers neither use transit today nor envision themselves directly benefiting from it in the future. The region's reliance on the property tax to subsidize transit also makes it more difficult to win support for transit spending. In 1995, property taxes provided 45 percent of the operating funds of Metro Transit, the division of the Metropolitan Council that operates buses. According to the Legislative Auditor, none of 32 comparable regions across the nation relied on property taxes for more than 8 percent of operating costs.

■ Capital funding for transit is uncertain and unstable, making long-term planning and investment difficult. Unlike highways, which receive constitutionally dedicated proceeds from the motor vehicle fuels tax and registration fees, transit has no guaranteed revenue source and instead depends on legislative appropriation. Without a strong constituency for transit, legislative approvals are not a sure thing.

Recommendations

The Advisory Council on Local Government urges both the Legislature and local officials to support its recommendations to strengthen local and regional government performance in the Twin Cities region. It has not tried to iron out every detail in these recommendations, preferring instead to emphasize the general spirit and intent of each. The council strongly believes these recommendations form a framework for improving government performance in the region and asks that local governments and their associations consider including them in their legislative initiatives. The advisory council will continue to work on these and other issues during 1998-1999.

Recommendation: *The Legislature should acknowledge the expansion of the Twin Cities metropolitan area beyond the seven-county boundary of the Metropolitan Council and take the reality of a broader zone of metropolitan influence fully into account when making funding and policy decisions.*

The idea of two separate Minnesotas — an urban metropolitan area centered on the Twin Cities and a rural nonmetropolitan area — is deeply ingrained in the minds of citizens and policy-makers. Such a view is overly simplistic and outdated, but it has been strongly reinforced by the state's formal designation of the seven counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington as the jurisdiction of the Metropolitan Council. As a matter of convenience, numerous laws and programs use the definition of this jurisdiction found in Minnesota Statute 473.121, subd. 2 to determine the applicability of laws and requirements or eligibility for programs or funds.

Population growth in ring counties, along with associated land use pressures and increases in commuting across the seven-county boundary, is

rendering this definition of the Twin Cities metropolitan region increasingly obsolete. Growth and commerce pay little heed to boundaries. Not only do events in the Twin Cities affect outlying counties, but decisions in the ring counties increasingly influence closer-in counties.

This recommendation does not imply in any way that the jurisdiction of the Metropolitan Council should be expanded beyond the seven counties. Rather, it simply urges the Legislature to change the way it views the region and make policy decisions accordingly.

Recommendation: *To facilitate better coordinated transportation planning between the seven-county Twin Cities area and the ring counties, the geographic boundaries of the Transportation Advisory Board should be expanded and representation added from the counties adjacent to the metropolitan area as currently defined. Population, urban-rural concerns, transportation needs and other factors should be considered in choosing board members.*

The Transportation Advisory Board was established, pursuant to statute, by the Metropolitan Council in 1974 to advise and support the council. The board coordinates the transportation planning process for the Twin Cities metropolitan area and recommends funding priorities. Federal law requires that a majority of the board's 33 members be local elected officials. Membership includes 10 city officials, seven county officials (one from each county), three state agency representatives, four representatives of different transportation modes, eight private citizens and a chair who has no affiliation with a transportation agency.

Transportation needs do not stop at the edge of the seven-county region. Projected growth in the population by 2020 — including more rapid growth in counties adjacent to the metropolitan area — presents significant challenges. Expanding the board would allow ring counties to participate more fully in formal planning with the metropolitan area counties. Authority over highway improvements in the ring counties, however, should continue to rest with the Minnesota Department of Transportation.

Expansion of the Transportation Advisory Board to include the nine Minnesota counties immediately adjacent to the seven-county area would involve counties from four of the Minnesota Department of Transportation's nonmetropolitan regions. If flows of funding for transportation projects in the nonmetropolitan regions remained separate from the metropolitan pool of funds, the board would review proposals from inside and outside the seven counties simultaneously, paying close attention to opportunities for coordination, but make separate recommendations to the Metropolitan Council and the Transportation Department regions. Concern exists that representatives from ring counties should not be able to vote on funding allocations within the seven-county area unless a combined pool is created.

Recommendation: *The Legislature should direct the Metropolitan Council to offer voluntary, nonvoting affiliate status to Minnesota and Wisconsin counties adjacent to the seven metropolitan area counties. Each adjacent county board of commissioners could appoint one participant. This recommendation implies no departure from the practice of basing Metropolitan Council representation on population.*

The creation of the Metropolitan Council in 1967, along with regional operating agencies for transit, sewers and airports, grew out of a realization that regional problems required regional responses beyond the reach of individual counties or municipalities. In 1950, Minneapolis and St. Paul still accounted for 71 percent of the total population in the seven-county area. By 1970, the two core cities contained only 40 percent of the region's population, which greatly diminished their capacity to deal with larger regional forces.

MINNESOTA PLANNING

News Release

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PANEL URGES BROADER VIEW OF TWIN CITIES REGION

The idea of the Twin Cities metropolitan area as a seven-county region is deeply ingrained but overly simplistic and outdated, according to a report released today by an advisory group studying the roles of local and regional governments.

In the report, *Regional Options: The Report of the Advisory Council on Local Government*, the advisory council urges the Minnesota Legislature to direct the Metropolitan Council to offer voluntary, nonvoting status to Minnesota and Wisconsin counties adjacent to the seven metropolitan-area counties already represented in the regional body.

"Growth pays little heed to political boundaries," said Advisory Council Chair Glenn Olson of Greenwood. "We need to take steps to better coordinate transportation and land use planning between the metropolitan area and surrounding counties."

The advisory council also urged the Legislature to consider growth in the areas adjacent to the seven-county region when making funding and policy decisions about the metropolitan area. It recommended that the Transportation Advisory Board, which advises the Metropolitan Council on transportation funding, be expanded to include representation from adjacent counties where metropolitan development is occurring.

Regional Options reports the findings and recommendations made by the advisory council during its first year of work. The 1997 Legislature created the council to make recommendations on the appropriate roles and responsibilities of local and regional governments in the metropolitan area composed of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington counties.

The council is made up of representatives of cities, counties, townships and school districts, the Minnesota Senate and House of Representatives, as well as the chair of the Metropolitan Council and four public members appointed by the Governor. It is staffed by Minnesota Planning.

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When the Legislature designated a seven-county jurisdiction for the Metropolitan Council, there was little doubt that the seven counties included almost all urban development and commuting activity centered on Minneapolis and St. Paul. If anything, some people thought it was a stretch to include some mostly rural parts of the seven-county area in a metropolitan planning district.

Today, Minneapolis and St. Paul account for only 26 percent of the seven-county population. More important, residential development and commuter traffic has pushed well beyond the boundaries of the seven counties. Twelve nearby counties in Minnesota and Wisconsin add 498,000 people to the metropolitan region. These counties have grown faster than the seven Twin Cities counties since 1970 and have accounted for 22 percent of population growth in the broader region since 1990. From 11 to 50 percent of workers in these counties commuted to jobs in the seven-county area in 1990.

Affiliate membership is a practical step to create a forum for dialogue on issues that affect the broader region. Participation by adjacent counties would raise awareness in those counties — as well as in the whole region — of how metropolitan growth affects them. Allowing county boards to appoint affiliate members would strengthen ties between the Metropolitan Council and local governments in adjacent counties.

This recommendation does not call for a geographic expansion of the Metropolitan Council's jurisdiction. While it is clear that local and regional leaders need to find some way to coordinate planning and land use decisions across the regional boundary, it is not immediately clear that creating a 10-county, 18-county or even larger Metropolitan Council is the answer. Expansion of the Metropolitan Council's jurisdiction into Wisconsin would require a formal interstate compact, such as used in St. Louis and other metropolitan areas that cross state boundaries.

Minnesota and Wisconsin used an interstate compact to create the Minnesota-Wisconsin Boundary Area Commission in 1965. The commission conducts studies and makes recommendations, coordinates planning by the two states and assists in state-federal relations in the St. Croix and Mississippi Rivers border area. Each governor appoints five commission members. The compact specifically states that no recommendation, plan or finding of the commission has the force of law or limits the powers of either state or local governments. Both Minnesota and Wisconsin have laws permitting joint powers-type contracts across state lines. The U.S. Constitution, however, requires that Congress approve interstate compacts with regulatory or other governing powers. The commission cooperated with the Metropolitan Council's regional blueprint process in 1996 by hosting a public hearing for Wisconsin residents.

A program enacted by the 1997 Legislature offers an alternative model. The Community-Based Planning Act, which provided funding for a voluntary pilot areawide planning process for Stearns, Benton and Sherburne counties, required that plans for Sherburne County be submitted to the Metropolitan Council for review and comment because the county borders the seven-county Twin Cities area. A similar review and comment process might be appropriate for other ring counties.

Recommendation: *The Legislature should request that the Legislative Auditor conduct a study of the 1994 merger of the Metropolitan Waste Control Commission and the Metropolitan Transit Commission into the Metropolitan Council to determine and compare operational efficiency, service cost-effectiveness, oversight and accountability, and, after such a study, conduct oversight hearings regarding the merger.*

The 1994 Legislature eliminated the Metropolitan Waste Control Commission and the Metropolitan Transit Commission as separate agencies and placed transit and wastewater treatment under the

direct supervision of the Metropolitan Council. Advocates argued that the merger would strengthen the link between planning and operations. While many believe the new system is more efficient and cost-effective, others question whether Metropolitan Council members have enough time, energy and technical expertise to provide the necessary oversight of these complex systems. In addition, the dissolution of the commissions and the Regional Transit Board led many to believe that waste control and transit lost advocacy groups that could put forth innovative ideas and push for additional funding from the Legislature.

The new arrangement has been in place long enough to benefit from a careful examination of the outcomes. Any future changes in metropolitan governance arrangements should take into account lessons learned from such a review.

Recommendation: *The Legislature should fund technical assistance and demonstration grants to encourage the creation of local service corporations for the joint provision of public services.*

The Twin Cities area has more and smaller local governments than many metropolitan areas, and about half of its cities have fewer than 5,000 people.

The commonly stated ideal of "government close to the people" suggests a preference for small governments. People living close together in small communities are more likely to share interests and preferences in public services. The smallest communities, however, sometimes cannot afford expensive public facilities or achieve economies of scale. Consolidation of small governmental units into larger ones sometimes makes economic sense, but may dilute local control. Small units have several options for delivering services economically and efficiently while preserving local control. They can contract with private vendors better positioned to achieve economies of scale. They also can purchase services from or form a joint venture with a neighboring government. In some cases, a service might be more effectively delivered by a different level of government.

Another option for small communities is creation of a local service corporation. As envisioned here, in a local service corporation, two local governments combine some or all local services under a single administration while retaining local control over the level and mix of services. This arrangement is an advanced use of joint powers agreements that are already available to local governments; no new legislation is needed to authorize them. Joint powers agreements are very common but generally have been used only for specific services. A local service corporation can be an attractive option for local units considering building or expanding local government facilities.

Recommendation: *State and local governments should use fiscal incentives and other regulatory powers directed at both governments and individuals to encourage compact development and redevelopment patterns that use existing infrastructure, reduce dependence on automobiles and preserve open space, while making housing, shopping and employment accessible by transit. Fiscal incentives should also be enacted for long-term preservation of agricultural land and open space. These incentives should be substantial and limited to long-term agricultural and long-term open space purposes and not granted to protect land speculation from taxation.*

Compact development patterns and redevelopment of urban areas preserve land, lower housing costs and allow for economical provision of public services and infrastructure. Locating housing and employment centers close to transit can lessen dependence on automobiles. Scattered development on large lots — both residential and commercial — at the edge of the Twin Cities increases the cost of public services and consumes the open space that Minnesotans want to be near.

Short-term cost advantages of low-density development at the expanding edge of the region lure people and businesses away from the central cities and older, inner-ring suburbs, leaving behind underused infrastructure. Between 1969 and 1989, for example, the region built 50 new schools in growing suburban areas while closing 150 urban and inner-suburban schools. Some of this left-behind infrastructure is old and crumbling and needs to be replaced, but the financial means to replace it is diminished by the outflow of people and businesses. Rather than providing for costly low-density development, public subsidies should focus on aiding redevelopment in already built-up areas, including contaminated areas, or brownfields. Clearly, the lowest-cost approach to development is to redevelop urban areas that already contain the infrastructure and can meet the requirements of compact development patterns.

It costs less per household to extend services — be they water and sewer lines, roads, phone lines or school transportation — to compact developments because they have more homes for every mile of pipe, cable or road. A 1995 Minnesota Planning study, *Annexation Criteria,* reported it can cost $30,000 or more per household to make municipal services available in an area of one-acre lots. Because of the great expense of municipal services, private wells and septic systems are common in areas with large lots.

People and businesses make decisions about where to build based on costs as they see them, but thousands of rational individual decisions can lead to unintended consequences. Construction of new homes and businesses on the urban fringe usually makes economic sense to the first users but too often imposes higher costs on future generations, as well as residents of the broader region. Often, the upfront costs of development do not take into consideration higher levels of urban services that will be necessary as development proceeds. In other cases, private wells or septic systems may fail, but replacement with municipal services can be prohibitively expensive.

Neither large areas of low-density development nor scattered high-density developments in areas that cannot be easily served by existing infrastructure make economic sense for the region. A growing sense that the current pattern of urban development may not serve the long-term interests of the region or the state suggests the need to change the incentives now influencing economic development and look more toward the redevelopment of urban areas. Development patterns consistent with efficient use of public infrastructure and an appropriate balance of housing and employment opportunities could be promoted using such policy tools as agricultural and conservation tax credits, impact fees and additional tax incentives for businesses that locate close to transit. In addition, authority for local commuter, income or sales taxes might give some communities greater incentive to encourage compact development.

Incentives could be directed to individual homeowners and businesses or to developers or local governments that agree to build new housing at urban densities or focus on the redevelopment of urban areas. In addition to direct financial incentives, participating communities might also receive commitments for transit or other regional service improvements. Incentives could be offered for redeveloping and preserving existing housing stock, as well as for encouraging compact new development.

Extreme caution is required, however, to ensure that well-intended government subsidies, such as tax increment financing, do not further foster sprawl. The use of tax increment financing by municipalities in the region should be studied to fully understand the consequences of this type of incentive that encourages unhealthy competition and an increasing spiral of government subsidies to attract growth.

Some may object that an incentives approach means more government spending. In that spirit, the advisory council just as easily could have suggested the Maryland approach, in which the

same objectives are pursued by withdrawing all public incentives for development that is not compact, contiguous and served by efficient transportation.

The advisory council discussed, but did not agree to recommend, targeting a portion of local government aid and homestead and agricultural credit aid payments based on housing density. This proposal would favor localities with higher housing density over those with lower densities. Homestead and agricultural credit aid could be directed toward more dense localities by creating a new "dense homestead" subclass of residential property in which, for example, the lowest tax rate would be applied to the first $100,000 of a homestead's value, instead of only the first $75,000. There was some disagreement among advisory council members about whether such a tax break should be granted to all existing housing or only for new construction. Members generally agreed, however, that the costs to the region of low-density development — wasteful infrastructure costs, environmental degradation and social polarization — should be recognized appropriately in the system of local government aid, tax-base sharing and school aids.

The council also discussed several ideas that are not ready for recommendation without additional study, including:

- Expanding the role of the Transportation Advisory Board to provide the administrative screening process for all transportation activities, including highways and transit, and incorporate the Transportation Department's systems planning process

- Creating more flexibility in the use of the Highway User Trust Fund

- Having the state take over county functions that it mandates and primarily funds

- Having the state assume the costs of county jails

- Moving responsibility for criminal prosecution to district attorneys who would be elected by judicial district

- Making greater use of block grants to maximize local discretion

- Creating an institute of government organization and reform to conduct an ongoing examination of government roles and structure in the metropolitan area, identify options for cost savings and improved service delivery, and help local governments redesign services

These ideas are included here to present a more complete view of the council's discussions and to invite others to consider them. The advisory council may consider some of them more completely as it continues to work through June 1999.

Next step for the advisory council

At its final meeting before issuing this report, the advisory council discussed the possible need for an enlarged regional planning body to serve the Twin Cities metropolitan area and surrounding ring counties where development is occurring, but it did not agree on a recommendation. Instead, the council intends to discuss the idea over the next year.

The functional metropolitan region, defined as communities with significant commuting and economic ties to the Twin Cities, has grown to be much larger than the seven-county area encompassed by the Metropolitan Council. This expansion of the region, in the absence of planning and coordination, has resulted in inefficient use of land, consumption of natural

assets and resources, and inefficient provision of public infrastructure and services.

Currently, this larger metropolitan area lacks a common vision and a common set of priorities. In the long run, the problems associated with unplanned expansion of the region will worsen unless the metropolitan area develops a common vision and strategies to achieve the vision. There are three options for doing this. The first is to rely on existing local governments and other organizations to develop this vision and strategies. But these governments and organizations are not organized to deal effectively with regional issues. The second is to seek state action, but the Legislature has too many regional divisions and other issues to solve to focus adequately on the needs of the metropolitan region as a whole. The third approach is to create a new regional structure that would cover the expanded functional metropolitan area.

The current regional structure — the Metropolitan Council — has engendered controversy. Disagreement exists on many fundamental issues, including how council members are selected, the area the council represents and affects and whether its charge should include operating authority over activities such as mass transit and sewage treatment instead of being limited to planning. These controversies have prevented the seven-county area from thinking proactively about many of the challenges facing the region. Few would argue, however, that the current seven-county region would be better off if a planning agency for the region had not been created 30 years ago. In the future, the Metropolitan Council will not be able to adequately plan for the Twin Cities region because development is spilling beyond the boundaries of its jurisdiction. The advisory council believes that in the long run, the functional metropolitan area will be better off if there is a metropolitan structure that can plan for the region to ensure the most efficient use of land and resources and provision of public infrastructure.

The boundaries of such a body are open to question. Simply adding Minnesota counties adjacent to the current seven metropolitan counties would bring the region to 16 counties but would not include Stearns or Benton counties in the St. Cloud area or adjacent counties in Wisconsin. At the same time, the distant parts of many of these surrounding counties remain mostly rural. The adjacent Wisconsin counties pose a special problem. One possibility is to explore some kind of interstate compact with Wisconsin. New boundaries might best be considered after affiliate nonvoting membership, as called for in the advisory council's recommendation, establishes better communication and reduces mistrust.

Members of the Advisory Council on Local Government

Association of Metropolitan Municipalities representatives

Bill Barnhart, government relations representative, City of Minneapolis
Coral Houle, mayor, City of Bloomington
Steve Sarkozy, city manager, City of Roseville
John Weaver, council member, City of Anoka

Minnesota Association of Townships representatives

John Dooley, attorney, St. Michael
Richard Sand, White Bear Township supervisor, St. Paul

Association of Minnesota Counties representatives

Art Bannerman, commissioner, Scott County
Paul McCarron, commissioner, Anoka County
Peter McLaughlin, commissioner, Hennepin County
Michael Turner, commissioner, Dakota County

Minnesota School Boards Association representatives

Greg Filice, St. Paul Board of Education
Bev O'Connor, Robbinsdale Board of Education

Minnesota Senate

Carol Flynn, Minneapolis
Steve Kelley, Hopkins
Edward Oliver, Deephaven
Pat Pariseau, Farmington

Minnesota House of Representatives

Sharon Marko, Newport
Dan McElroy (council vice-chair), Burnsville
Myron Orfield, Minneapolis
Kathy Tingelstad, Andover

Metropolitan Council chair

Curt Johnson

Public members appointed by the Governor

Gary Humphrey, mayor, City of Apple Valley
Christina Melloh, attorney, Minneapolis
Glenn Olson (council chair), Excelsior
Thomas Weaver, director of state public affairs for Northern States Power Company, Anoka

Presenters at advisory council meetings

Tom Delaney, commissioner, Chisago County
Nacho Diaz, transportation planning director, Metropolitan Council
William Johnson, professor, Bethel College
Pat Klaers, city administrator, Elk River
Art Leahy, general manager, Metro Transit Operations
Beverly Miller, executive director, Minnesota Valley Transit Authority
John Shardlow, consultant, Dahlgren, Shardlow and Uban, Inc.
Michael Munson, demographer, Metropolitan Council
Richard Stehr, metro division engineer, Minnesota Department of Transportation
Don Wiski, chair, Transportation Advisory Board
Lyle Wray, director, Citizens League
Jim Wychor, member from District 9, Metropolitan Council
Lois Yellowthunder, consultant
John Yunker, evaluator, Office of the Legislative Auditor