

Sandy Springs, Ga., prospers while cities go bankrupt

by Randy Bright <http://www.tulsabeacon.com/?p=6080>

Last year, the National League of Cities reported that some municipal governments in the United States were on the brink of bankruptcy, estimating that nationwide the shortfalls could range between \$56 and \$83 billion.

They also reported that while three years ago there were 31 municipal defaults totaling \$348 million, in 2011 there had been 184 defaults totaling \$6.4 billion.

They attributed the rising numbers to “rampant unemployment, tepid consumer spending and deeply underfunded public pensions.”

And now Stockton, California, has joined the ranks of American cities filing for bankruptcy. Last week, after failing to work out deals with creditors, the city council voted to approve the filing for Chapter 9 bankruptcy protection. The town of 290,000 is facing a budget shortfall of \$26 million.

Stockton will be the seventh municipality this year to file for bankruptcy.

Last year the city of Vernon, also in California, made news when several city leaders were convicted on corruption charges. Vernon was paying five city officials over a half million dollars a year in salaries each. The state legislature considered a bill to dissolve the city in order to merge it with Los Angeles County in an attempt to completely stamp out corruption, but it was voted down.

Even while American cities are going broke, most continue to spend on incentives to lure business and to subsidize high salaries and pensions. It was reported that Pico Rivera, California, had offered Borders Bookstore a \$10,833 monthly subsidy for 15 years if they would put a store in their town. Borders has since closed their doors.

The St. Louis Post Dispatch reported that Bridgeton, Missouri, had agreed to finance the construction of a WalMart store to the tune of \$7.2 million. TIF's (Tax Increment Financing) is all the rage for cities that want to attract businesses.

With cities all over the country that are desperate for revenue doing risky financial maneuvers to lure businesses to create the tax revenues needed to pay salaries and pensions that are unsustainable even in good times, why would anyone be surprised that more and more cities in America are going broke? What is really surprising is the number of cities who consider risky ventures and high overhead to be normal operating procedures.

In addition, cities are adding zoning and procedural regulations that discourage investments in their cities, creating a double-whammy to city coffers.

Are city leaders all attending the same seminar, and who is giving them such bad advice? Somehow they got the idea that city government should be run like a capitalist business, but that losses were normal and acceptable. It's like the car dealer who sells every car at a loss, but makes it up in volume.

There is another model for cities to follow that makes much more sense, and it apparently is working very well. Sandy Springs, Georgia, population 94,000, has privatized most of its city operations. It has only seven city employees, one of whom is the city manager. It does not own a city hall, instead it rents the limited space it requires. It does not own a fleet of vehicles, and pays no pensions. It has a police and fire department, but only because insurance costs would have been too high for those services to be contracted out to a private company.

Virtually all other services that would normally be provided by city government are competitively contracted out to private companies. They even give a contract to losing bidders to take the place of winning bidders should they fail to meet their obligations. Even city employee contracts come up for renewal once each year.

Does it work? After the community voted 94 percent in favor of incorporation in 2005, it has since saved around \$90 million per year in operating costs and residents give the city highly favorable reviews in surveys about the quality of services and life in the city.

Though the city has been accused of being an affluent enclave for "white flight", minorities make up about 30 percent of its population. The mayor attributes criticism from detractors to "pure envy."

The concepts of Sandy Springs government were developed by a retired AT&T engineer, Oliver W. Porter, who has written the book *Creating the New City of Sandy Springs*. He believes this model is a way that other cities can escape the "financial morass" that they are in.

At the rate our economy is going, it looks like there are going to be a lot of cities looking for a way to make a fresh start.

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