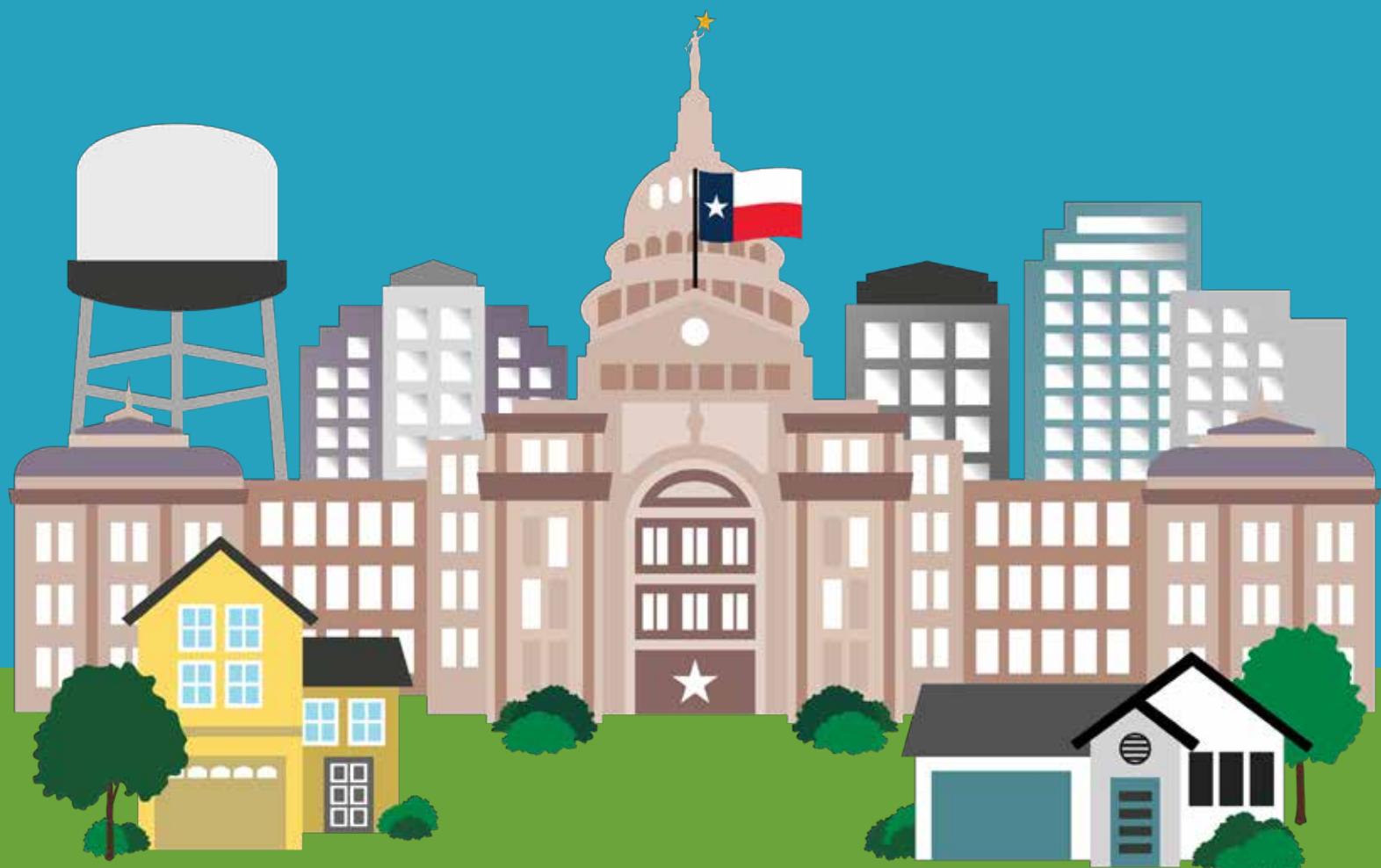


OFFICIAL PUBLICATION OF THE TEXAS MUNICIPAL LEAGUE

TEXAS TOWN & CITY

January 21
VOLUME CVIII
NUMBER 1



HOW CITIES WORK

City of College Station Police Headquarters



City of Seguin Public Library



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Our Home, Our Decisions: Local Governments Providing Essential Services for Our Diverse State

Cities, the government closest to the people, embody the idea that “We the People” should be able to continue making decisions based on the needs of each unique community in Texas. Cities provide the services that we cannot do without - services that reflect the will of the local taxpayers and recognize that not all laws are able to be “one size fits all.” **Because of the unique patchwork of cities in our state, we must be able to retain our ability to govern locally and continue making decisions that represent the needs of the community.**

For this purpose, Our Home, Our Decisions was created to emphasize the necessity for local decision making and ensuring that the diverse needs of our communities can continue to be met by local governments.

With the idea that no two areas in the state are alike, the legislature began creating cities upon statehood to work closely with the community to more effectively address local needs. The locally-elected city councils in those cities decide – based on the needs of their citizens – how to provide appropriate services. Each city is different and the needs of each community widely ranges. We often say, what works in the Piney Woods of East Texas won’t always work in the Great Plains of the Panhandle and that rings true all across the state. But that is what makes our state great – the diversity and unique needs that can be addressed by the government closest to the people.

Cities rarely seek funding from the state, and they typically receive very little from the state. Cities need to **be allowed to make their own decisions about how to keep their local communities thriving, benefiting the overall success of the state.** For these reasons, we have created the Our Home, Our Decisions campaign to amplify and celebrate the diversity of Texas.

1. Ensure that local decisions are made locally and oppose attempts to harm the ability of local governments to represent their constituents without state interference.

2. Preserve the ability for local governments to retain the experts needed to achieve the goals of their communities.

3. Allow local governments the flexibility to fund essential services for their community such as law enforcement and first responders, roads and bridges, clean water, broadband connectivity, and more.

Join Us in Celebrating the Diversity of Texas: Our Home, Our Decisions

To learn more, visit www.ourhomeourdecisions.org or call 512-231-7400
Legislative direct contact: Monty Wynn monty@tml.org



The 87th Texas Legislature Keep Your Finger on the Pulse!

TMLLEGISLATIVESERIES.ORG



The 87th session of the Texas Legislature begins in January. This may be the most important legislative session in recent history for Texas cities. Help your city plan an active and consistent role in the League's efforts by participating in the 2021 Legislative Series Webinars and Workshop.

Legislative Preview Webinar: What to Expect This Session

Thursday, January 14 – 10:30-11:30 a.m.

Legislative Status Report Webinar #1: Keep Your Finger on the Pulse

Thursday, March 11 – 10:30-11:30 a.m.

Legislative Status Report Webinar #2: Be Heard at the Capitol

Thursday, April 8 – 10:30-11:30 a.m.

Legislative Status Report Webinar #3: What to Expect in the Final Days

Thursday, May 6 – 10:30-11:30 a.m.

Legislative Wrap-Up: An Insider's Perspective

Monday, June 21 – Workshop (Hilton Austin)

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ABOUT THE COVER

How Cities Work

Learn what Texas cities do and how they do it in this biennial publication.

Cover illustration by Lindy N. Jordaan

ABOUT ★ TML

The Texas Municipal League exists solely to provide services to Texas cities. Since its formation in 1913, the League's mission has remained the same: to serve the needs and advocate the interests of its members. Membership in the League is voluntary and is open to any city in Texas. From the original 14 members, TML's membership has grown to more than 1,150 cities. Over 16,000 mayors, councilmembers, city managers, city attorneys, and department heads are member officials of the League by virtue of their cities' participation.

The League provides a variety of services to its member cities. One of the principal purposes of the League is to advocate municipal interests at the state and federal levels. Among the thousands of bills introduced during each session of the Texas Legislature are hundreds of bills that would affect cities. The League, working through its Legislative Services Department, attempts to defeat detrimental city-related bills and to facilitate the passage of legislation designed to improve the ability of municipal governments to operate effectively.

The League employs full-time attorneys who are available to provide member cities with information on municipal legal matters. On a daily basis, the legal staff responds to member cities' written and oral questions on a wide variety of legal matters. The League annually conducts a variety of conferences and training seminars to enhance the knowledge and skills of municipal officials in the state. In addition, the League also publishes a variety of printed materials to assist member cities in performing their duties. The best known of these is the League's monthly magazine, *Texas Town & City*. Each issue focuses on a variety of contemporary municipal issues, including survey results to respond to member inquiries.

For additional information on any of these services, contact the

Texas Municipal League at 512-231-7400 or visit our website, www.tml.org.

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MESSAGE ★ FROM THE PRESIDENT



KAREN HUNT
MAYOR, CITY OF COPPELL
TML PRESIDENT

Dear Texas City Official,

By the time you read this magazine, lawmakers will already be at work in Austin considering thousands of bills, many of which could affect your city.

With so many bills potentially impacting cities, you might assume that legislators and their staff have a detailed understanding about how Texas cities operate. But you'd often be wrong! Most have no background in city government, and they often don't check with the experts—you and your city staff—before they dive in with their bill filing ideas that could affect your operations in many ways.

Why do lawmakers sometimes file bills that affect entities without fully understanding their effects? The answer to the question is special interest groups. Nearly every industry that interacts with local government has an advocacy organization in Austin that takes bills to friendly legislators to be filed, often verbatim. Unless legislators hear about the impacts of those bills on cities from people who understand them, there's a good likelihood those bills will get passed word-for-word, with no one weighing in on their effects.

That's why this issue of the magazine exists—to explain in detail "How Cities Work." Think of this issue as a textbook on the basics—city taxes, utilities, solid waste, zoning, public safety, and much more.

We urge you to know your legislators and share articles as needed this legislative session, or to use the articles when preparing talking points to communicate with your delegation. Now more than ever, success at the Texas Capitol depends on timely and determined input from the grassroots. And as I've mentioned before in this space—you ARE the grassroots!

A handwritten signature in black ink that reads "Karen Hunt".

Karen Hunt
Mayor, City of Coppell
TML President



Our Home Our Decisions

IN THIS ISSUE: OUR HOME, OUR DECISIONS

By **Bennett Sandlin**, TML Executive Director

As you read this issue of *Texas Town & City*, the 87th Texas Legislature has convened and is hard at work. The 2021 regular session will not end until Monday, May 31, 2021. Between now and then, lawmakers will consider thousands of bills. Unfortunately, many of those bills would, if enacted, erode municipal authority or otherwise limit the ability of Texas cities to carry out the important functions and provide the vital services expected by municipal residents.

Cities, the government closest to the people, embody the idea that "We the People" should be able to continue making decisions based on the needs of each unique community in Texas. Cities provide the services that we cannot do without - services that reflect the will of the local taxpayers and recognize that not all laws are able to be "one size fits all." **Because of the unique patchwork of cities in our state, we must be able to retain our ability to govern locally and continue making decisions that represent the needs of the community.**

With the idea that no two areas in the state are alike, the legislature began creating cities upon statehood to work closely with the community to address local needs more effectively. The locally-elected city councils in those cities decide – based on the needs of their citizens – how to provide appropriate services. Each city is different, and the needs of each community widely ranges. We often say, what works in the Piney Woods of East Texas won't always work in the Great Plains of the Panhandle and that rings true all across the state. But that is what makes our state great – the diversity and unique needs that can be addressed by the government closest to the people.

Cities rarely seek funding from the state, and they typically receive very little from the state. Cities need to be allowed to make their own decisions about how to keep their local communities thriving, benefiting the overall success of the state. For these reasons, we have created **the Our Home, Our Decisions** campaign to amplify and celebrate the diversity of Texas. I encourage every one of you to get involved with the campaign and use the resources we will continue making available during the legislative session, and after.

Further, this issue of our magazine is a tool to help city officials explain how Texas cities are powerful engines of

economic growth, as well as safe and pleasant places for people to grow up, raise families, and retire.

In this issue of *Texas Town & City*, we highlight:

- The sources of municipal revenue and the ways in which the legislature can damage that revenue
- The value of building codes
- Municipal economic development efforts and the ways in which property tax caps threaten those efforts
- The status of municipal solid waste programs
- Municipal transportation and public works and the importance of maintaining right-of-way authority, compensation for use of rights-of-way, and funding sources for drainage utilities
- Municipal participation in utility rate cases
- The provision of municipal water and wastewater services, including funding for the State Water Plan
- The connection between infrastructure and revenue caps
- The high cost of providing public safety services
- The importance of annexation authority to the future of Texas cities and to the state's economy
- The ways in which zoning authority protects citizens and their property values
- The importance of libraries and library funding
- The value of municipal parks and recreation programs

Also in this issue is a description of the 2021/2022 TML legislative program, the key feature of which is opposing any legislation that would harm the ability of cities to provide the services and facilities enumerated above.

While some state leaders will try to reduce municipal revenue or chip away at municipal authority, the vast majority of Texans knows that their city leaders are trustworthy stewards and should be allowed to answer the needs of their citizens. To a very great extent, economic growth in Texas is the result of municipal efforts to ensure the availability of infrastructure, the public safety, and the quality of life necessary for job creation. State policymakers should be very reluctant indeed to harm cities, because as our cities go, so goes our entire beloved state.

We look forward to working with you in these important months ahead as we advocate for municipal government in Texas. We're counting on you, our members, to actively help in this mission.

If you have any questions, please feel free to contact a member of the TML legislative department.

To learn more about Our Home, Our Decisions, visit www.ourhomeourdecisions.org.

Thank you for your support and assistance. ★

The advertisement for Kraftsman Play Systems features several circular images of playground equipment. At the top is a logo for 'THE FUN BUILDERS KRAFTSMAN' with the website 'KRAFTSMANPLAY.COM'. Below the logo are images of a water park with a large spray feature, a green shade structure with a slide, and a playground with a large blue slide. A red call-to-action bubble in the center says 'CALL FOR A FREE QUOTE! 800.451.4869'. To the right, a yellow circle lists 'PLAYGROUNDS', 'WATERPARKS', 'FITNESS', 'AMENITIES', and 'SHADE & SHELTER'. At the bottom, a blue circle features the 'BuyBoard' logo with the tagline 'Creative Playtime'. A large blue banner at the bottom right says 'Building Fun Since 1981'.

THAT FREE DRINK COULD COST MORE THAN YOU THINK... THE COST OF A CYBER ATTACK



The email looked legitimate. The message, complete with recognizable Starbucks images, enticed the reader to click and redeem.

"Mmm, Caramel Brûlée Latte, so luxuriously silky and sweet. Sipping one feels like a big, warm hug. Hot and cool at the same time, the Peppermint Mocha is a boost for your brain and a party for your taste buds. Have you tried the Toasted White Chocolate Mocha? With subtly caramelized white chocolate sauce it almost tastes like sitting in front of a roaring fire."

Your company has partnered with Starbucks to give you a treat. Choose your drink below to get a voucher and get it FREE in the store!"

It looked legitimate, except for one small detail... it came from starbooks.com, not Starbucks.com. This was an actual email, and many missed that one small difference. This detail is easily overlooked, especially when someone receives an exciting and believable offer. This is just one example of what

employees and employers face on a daily basis. Any entity with a computer and a person at the keyboard is a potential target. Working remotely and the increased dependence on technology to accommodate this has opened a whole new window of opportunity for the cybercriminal, and social engineering is one of their most valuable tools.

Earlier this year, the FBI reported that it had received almost the same number of social engineering complaints in the first five months of 2020 as it had in all of 2019. So what is social engineering? It is a manipulation technique that takes advantage of human error to gain private information/ access or influences a person to take some action that is not in their best interest. We have all seen some examples of these attempts in our email inboxes: your bank saying your password has expired, your friend who asks you to wire them some money because they are traveling and lost their wallet, or the famous prince from overseas who wants to send you millions of dollars. Some attempts are more obvious than others. However, it is safe to say that "human

hacking" is a threat, and we should all be aware of some of the most common tactics being used to attack us.

Phishing is one of the most common types of social engineering attacks. Emails that appear to be from a familiar or trusted source can lure a recipient into letting their guard down. These attempts are often coupled with a sense of urgency or an enticement that is too hard to resist. Clicking a link or opening an attachment can seem harmless at first but can introduce malware onto your systems. Initiating a money transfer is also a goal of the attacker.

Pretexting is another commonly used method. This could be an attacker using a fake identity to convince you to provide private information. An IT service provider or a fellow employee needing login credentials is a widely used means. This could be done via email or even over the phone.

Baiting entices or deceives a victim with the promise of goods. The lure of a free software, movie, or music download might seem like a fair exchange for just filling out a form or visiting a website (where malicious code is lurking).

With attacks coming from so many different directions, how do we defend our organizations? Awareness, training, and simulated phishing attempts are a good place to start. Enabling multi-factor authentication adds a layer of protection in the event of a credential compromise. Implementing zero standing privilege, which allows an authorized user a limited time access to certain systems, is another way to safeguard your network. In the event those credentials are compromised, the bad actor would only have a narrow window of time in which they could gain access.

Combatting social engineering is all about being skeptical and thinking clearly. Don't be afraid to ask questions and verify. And if one

of these attempts is successful and makes it through to your systems, make sure you have the right coverage in place to assist you. Since 2016, the Risk Pool has provided Cyber Liability and Data Breach coverage at no cost to its members who have Liability or Property coverage. Contact your member services manager for more information on this coverage and ways your city can minimize its exposures. This partnership between the Pool and its members is an example of how Texas communities are stronger together. ★

Saluting CITY LEADERS AND THEIR TEAMS

Digging Deep to Serve Our Communities Under COVID-19

Every day, the professionals who keep Texas cities running face challenges that have no easy answers. Every day, they're working the problem and preparing for next steps — through the pandemic and beyond. On behalf of your partners at Focused Advocacy and every Texan who calls a city home, thank you.

Curt Seidlits - Brandon Aghamalian - Snapper Carr



FocusedAdvocacy.com



HOW DOES THIS WORK: RISK POOLING TO CONTROL HEALTHCARE SPEND

What's a Risk Pool?

Public entity risk pools use collective purchasing power and creative program designs to reduce property and liability claims, save taxpayer dollars, and manage risk for public entities so they can stay focused on the services they provide to their communities.

The TML Health Benefits Pool is an intergovernmental risk pool that provides health coverage and employee benefits. Local government entities such as Texas cities, towns, water districts, and emergency services districts join TML Health through an intergovernmental agreement. The Pool was created by its members to help manage the cost of healthcare benefits and give public employees access to high quality healthcare they could afford.

So How Does It Work?

The Pool is governed by a Board of Directors who are elected and appointed municipal officials from all across the state of Texas. As municipal leaders themselves, they understand the needs of Texas public entities, and direct the Pool accordingly.

Because members of the Pool move in and out of the high-cost category, as they suffer one-time catastrophic injury or illness, develop a chronic illness, or improve the management of a chronic condition, the Pool offsets the costs of the members who have an expensive year with those of the members who have a less expensive year.

These employers come together to share their financial risks, costs, and benefits associated with their employee health benefits. Each employer group contributes a set amount to the Pool each month for every covered employee, which the Pool then uses to pay all of the medical, prescription, and administrative costs for the member groups' public employees.

Because the Pool operates as a nonprofit, when member groups have a good year and healthcare claims are low, or the Pool's investments perform well, it doesn't keep the extra money—those savings go right back to members in next year's rates.

As a self-insured nonprofit risk pool, TML Health:

- doesn't seek to generate profits for shareholders
- avoids costs from premium taxes and regulatory assessments
- reduces overhead and improve quality through specific focus on member-owner needs
- is free to focus on long-term risk management over short-term premium gains
- emphasizes helping pool members avoid risk and reduce losses

What Does That Look Like?

To help shield municipalities from the rising costs of healthcare, the Pool uses its collective purchasing power to negotiate lower costs for member groups. That means the Pool goes through the request for proposal (RFP) process on municipalities' behalf, such as the recent request for proposals for prescription drug benefits, which resulted in a pharmacy benefit management partnership with lower prices, expected to save millions of dollars in drug costs across the risk pool. The Pool then passes these savings on to member groups.

About TML Health Benefits Pool

TML Health Benefits Pool brings together hundreds of Texas public entities to leverage collective purchasing power and risk sharing to stabilize the cost of health benefits and deliver the lowest long term costs, while offering additional services such as wellness programs, virtual health checkups, telemedicine, and online and phone enrollment. By sharing in the Pool, TML Health's members share the rewards of superior health coverage—lower costs, better health outcomes, and more personalized service. ★

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info@fabplaygrounds.com
www.fabplaygrounds.com



We want your kids
to stay safe on the
playground just as
much as you do...

...that's why
we're introducing
the Burke Hand
Sanitizer Station!

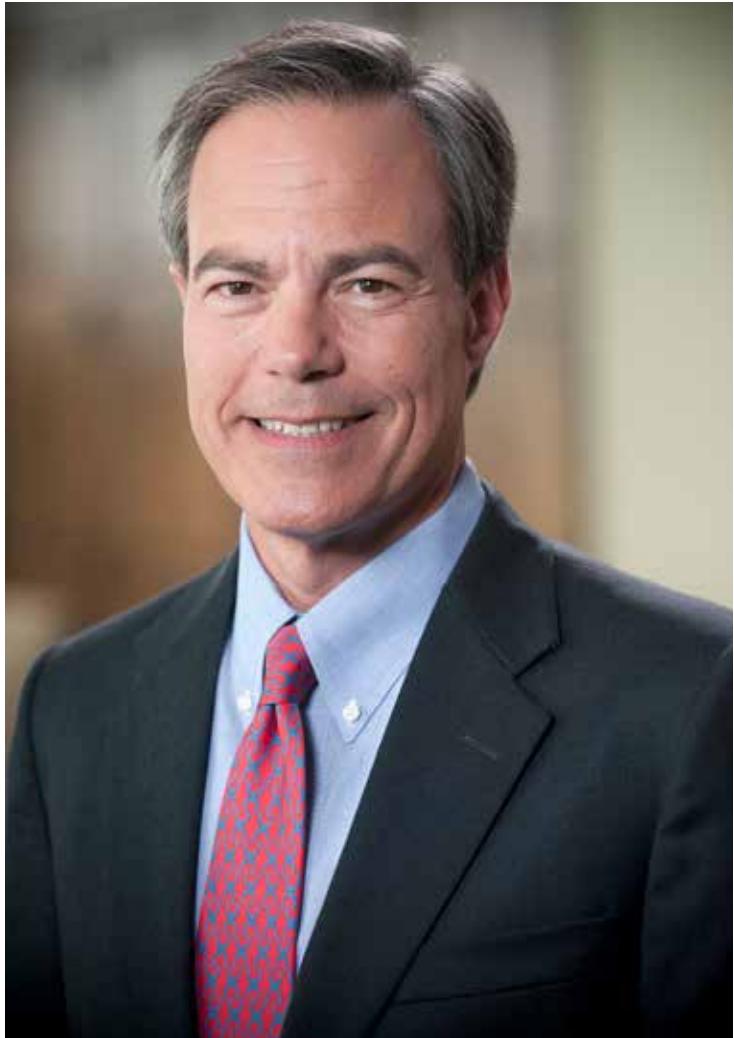
This station can be
installed at new or
pre-existing parks.
Keeping hands clean on
parks can help
significantly slow the
spread of germs!
Contact us to get yours
today!



FOR MORE MINDFUL PLAY,
PLEASE FOLLOW THESE GUIDELINES:
POR FAVOR JUEGUE CONSCIENTEMENTE
Y SIGA ESTAS NORMATIVAS:

-  If you are sick, stay home
and play another time.
Si se siente enfermo, por favor quédese en
casa y regrese a jugar en otra ocasión.
-  Wash your hands
whenever possible.
Lávese las manos frecuentemente.
-  Practice safe
social distancing.
Practique el distanciamiento social seguro.
-  Sanitize your hands
before and after play.
Desinfecte sus manos antes y después de jugar.
-  Avoid touching
your face.
Evite tocarse la cara.

THANK YOU FOR BEING PART OF THE SOLUTION!
GRACIAS POR SER PARTE DE LA SOLUCIÓN!



INTERVIEW WITH SPEAKER JOE STRAUS

TEXAS MUNICIPAL LEAGUE LEGISLATIVE HALL OF HONOR INDUCTEE

This interview with Speaker Joe Straus, Texas Municipal League (TML) Legislative Hall of Honor Inductee, was video-recorded and presented at the virtual TML Annual Conference and Exhibition on October 14, 2020.

Bennett Sandlin: Hello, I'm Bennett Sandlin executive director of the Texas Municipal League (TML). Today, it is my distinct honor to recognize Joe Straus. As just the sixth inductee into the TML Legislative Hall of Honor, former Texas House Speaker Joe Straus has spent his entire career at the intersection of public policy, business, and politics. He served as speaker of the 150-member Texas House from 2009 to 2019 making him the longest serv-

ing Republican speaker in Texas history. And today, he's chairman of the political action committee, Texas Forever Forward.

Under the leadership of Speaker Straus, the Texas House focused on improving public schools and workforce readiness, funding the State's water plan, directing billions of additional dollars to transportation improvements, increasing transparency in state spending, and balancing the biennial Texas budget amid both prosperous and challenging economic conditions. Speaker Straus prioritized mental health care and the protection of abused and neglected children. In 2017, he led the fight against discriminatory

legislation. And for his strong and thoughtful leadership on that and other issues, *The Dallas Morning News* named him 2017 Texan of the Year.

Six months after leaving the Texas House, Speaker Straus launched the Texas Forever Forward political action committee to promote principled leadership and support candidates, emerging leaders, and organizations and causes that focus on Texas' future. Priorities championed by Texas Forever Forward include economic growth, public and higher education, inclusivity, mental healthcare, infrastructure, and civic participation.

Nationally recognized for his commitment to public service, Speaker Straus serves on the Brookings Institute Board of Trustees, and he's a member of the class of 2009 Aspen Institute Rodel Fellowship in Public Leadership. A national leader within the Republican Party, Speaker Straus is the past chair of the Republican Legislative Campaign Committee, and served on the board of directors of the Republican State Leadership committee.

Straus is a principal with La Cima Partners, LLC, a strategic consulting business. He is also a partner in Bennett & Straus, LLC, a San Antonio-based insurance, investments, and executive benefits firm. He is a fifth-generation Texan, a San Antonio native, and a graduate of Vanderbilt University. He and his wife, Julie, live in San Antonio and have two adult daughters.

Now it's my pleasure to present you, Speaker Straus with this plaque honoring your induction into the TML Legislative Hall of Honor. We wish you were here with us today. But these are challenging times, so I'm going to present this plaque to you virtually. And rest assured, it will be on its way to your office just as soon as we're done visiting today.

The plaque reads "The Texas Municipal League gratefully awards this expression of appreciation to Joe Straus, former Speaker of the House of Representatives, and proudly inducts him into the TML Legislative Hall of Honor for dedicated service in the Texas House of Representatives and for extraordinary efforts on behalf of Texas cities." It's

signed on October 14, 2020 by me and TML 2019-2020 President Eddie Daffern, Mayor of Staples. Congratulations, Mr. Speaker.

Joe Straus: Thank you very much. Bennett, I'm very honored to be receiving the award (or will be receiving it soon). Please keep that plastic on there. I don't want any scratches.

BS: Yes, sir.

JS: I'm thankful for the recognition, and appreciate the partnership that we've had over the years. I've always tried to be an ally of TML. We've done some good things together and prevented some bad things over the course of my public service in Austin. But most of all, I want to say how much I appreciate your leadership and your organization's leadership in very difficult times. It seems that local leaders have had to bear the brunt of most of the effects of the pandemic that we're going through, and I think that local decision makers have done a fantastic job in very, very trying circumstances. So, your work is more important than ever. You all have acquitted yourselves really well through this difficult time, and we're not out of it yet unfortunately.

Going forward, I hope that whatever platform, or platforms, I can still continue to be a voice in support of local decision making. I think that's a very important aspect of our State's governance.

BS: Thank you, Mr. Speaker, for accepting this award and for agreeing to talk a bit about the prospects that Texas cities face and what is sure to be a challenging 2021 legislative session. You alluded to it, but why do you think members of the state legislature now put less value on the concept of local control than they did in the past? What do you think the source of that is?

JS: The short answer is I'm not exactly sure, but it sure is unfortunate. It doesn't help governing at the state level, and it certainly doesn't help governing at the local level. I hope that changes. I hope that the standoff or disagreement isn't permanent.

You know, I grew up as a Republican and was fortunate to work for the first Republican elected statewide in Texas, since Reconstruction. That was Senator John Tower who along with Senator Barry Goldwater were probably the two most conservative members of the United States Senate at that time. I can remember Senator Tower saying repeatedly that the best decisions that are made are made closest to the citizens, which meant *not* in Washington. And in this case, not always in Austin.

And I still believe that's a conservative principle - to allow local citizens to govern themselves whenever possible. Now, I guess some of the friction may just be a symptom of what we're seeing and political polarization. And I'd have to believe that many of mayors in our larger urban areas are probably not Republicans. Although, that's not true in Fort Worth and El Paso, so none of this can be said with any certainty. But I believe it's unfortunate that partisanship, if that's actually the root cause of this, has seeped down into relationships between state and local officials. I hope that changes. It needs to change, especially in the pandemic era that we're going through with all of the additional burdens that everyone is facing. The need for cooperation and partnership is greater now than ever.

And certainly, I also want to say that I'm not a defender of every decision being made in the local jurisdiction. But that's not the point. The principle ought to be that, wherever possible, it should be the rule, not the exception, that local officials should make every decision that impacts their local constituents.

BS: Do you have any tips for the mayors and councilmembers watching today on how to communicate more effectively with their representatives and senators to try to restore and repair that relationship?

JS: My first bit of advice is not to give up. And certainly do not wait until the next legislative session begins to communicate with your legislators, with your state senators, and with your statewide leaders. The time to show up for conversations is not when there's a crisis halfway through a legislative session. It's right now and it's ongoing.

And I guess the other advice, since I'm in the advice-giving business right now, would be to approach those elected officials in ways that show a concern for their political welfare. Do not come in as opponents or showing frustration, but come in seeking common ground. My experience was that most of the members of the Texas House of Representatives wanted to have good relationships and did have supportive relationships with the various mayors of their communities. I would focus on the positive and keep the communication going through TML and through individual city leaders reaching out, and start sooner rather than later.

BS: You talk about coronavirus, Mr. Speaker. What other issues do you think will be at the forefront when the legislature convenes in January?

JS: Well, the Coronavirus is going to be the issue, unfortunately, I believe going forward. We're not out of the woods on this yet. There are some signs that are hopeful in terms of vaccines. Making progress on a vaccine and some of the metrics that are followed by policymakers seem to be going in the right direction. But there's no question that this is going to be a tremendous challenge in the next session, even if we continue on the right and better path.

There are going to be incredible challenges for the health-care system. There are incredible challenges in our public and higher education systems. I'm glad that my kids are not kids anymore and are out of school, but I'm around a lot of people and work with people who have children who are back to school now. There's no guarantee that they're going to stay there and for the better part of the last six months or more, they haven't been in a classroom. Nor have they been around other kids much. So this is going to cause a lot of lingering challenges in healthcare and education.

I also worry about our economy with so many small businesses that are the lifeblood of local communities on the brink of closing, if they haven't closed already, and a lot of people out of work. And I think you know the result of this pandemic at the state level is going to be extreme budget pressures. Usually the only requirement of a legislature is

to pass a balanced budget, but to pass a balanced budget next year is going to be a Herculean task. We thought until recently that there was a surplus in our current budget and we're now told that there's close to a \$5 billion shortfall before they even begin writing the next two-year budget. So there's a lot of work to do and a lot of challenges out there that are very, very important.

And think that I'm going to leave redistricting off to the side there. But the legislature in the last session did some great work on education. House Bill 3 was an important bill that did a lot of good things. It increased teacher pay, and it expanded pre-K education to full day to those children who currently qualify. But it also was a very expensive piece of legislation – not only because of those things, but because of the compression of tax rates. In the future as property values rise, the State will be on the hook for more and more funding. So the legislature last session left an open-ended question about how they were going to pay for it.

Those challenges haven't gone away. They've only been made more severe because of the pandemic and the economy that we're going to be facing for the next few years. So plenty of challenges out there, not to mention the issue of conducting a legislative session with physical distancing. It's going to be a trying time. All the more reason for our local leaders to be engaged early in working on some of these things.

BS: One of your priorities when you were in the House was always mental health and that, of course, has tie-ins to Coronavirus that are unique. What do you think the challenges are on the mental health front for the 2021 session?

JS: Well, I'm glad you asked that question. The legislature has made significant strides forward in mental health in funding and in some policy changes that are really important. So I'd say first and foremost in a tough budget year, don't lose the momentum that has been created over the

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last four years or so. The pandemic has only exacerbated some of the problems in the mental health world and in our system. That combination of isolation and anxiety, and fear of the unknown and of the future – across all age groups and economic segments of our society – are going to be challenging. Mental health issues such as substance abuse, depression, and suicide prevention are not going away. They're only going to get worse. And so it's important that the legislature keep their eye on the ball and keep the momentum going there.

Some of the encouraging things that have happened during this pandemic – some of it is federal and some of it is state – include relaxing the rules on telemedicine and telehealth which have made access to mental health care much easier. I think it ought to be looked at as being codified into permanent law. There may be a number of other areas that, as a result of the pandemic, can be helpful long term in mental health and healthcare generally.

BS: Let me ask a kind of inside baseball question. A lot of mayors have asked me who's going to be the next speaker of the house, and I said, we don't know that because we don't know if the house is going to stay Republican or Democrat. That tightening of the numbers in the house, how is that going to affect the session? And what are your thoughts on how that affects the dynamic?

JS: I don't have any doubt at all. It's going to be a very closely divided institution. But, you know, it couldn't have been much closer of a divide when I was elected Speaker in 2009. There were 76 Republicans and 74 Democrats, and if 20 or so votes had switched from Republican to Democrat in Irving, Texas, we would have had an unprecedented 75-75 tie.

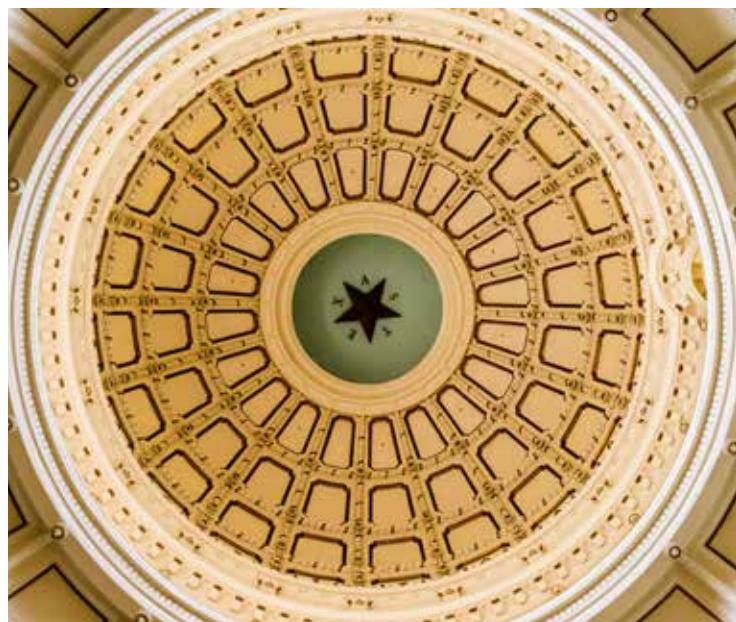
There are a number of seats hotly contested and very competitive right now. I think the Republicans will maintain the majority. And I'm helping a number of the incumbents hang on to their seats, but you never know. In my experience, a closely divided House was not a negative one; it was actually pretty positive. We made a real effort to work together.

Rather than have a standoff or a situation where nobody won and we all lost, we reached out – much of it behind the scenes – we made compromises, did some trading of priorities, and it worked out. I remember the vote on the 2009 budget was unanimous – 149 to 0. It shows you what can be done when you work at it. And I think next year, regardless of which party has the majority and regardless of who is President of the United States, we're going to be facing extraordinary challenges that will require bipartisanship and cooperation.

And that's just in the legislature, in the state capitol, but it also translates to TML. I hope that spirit that I'm talking about here, which we've seen before, translates into more cooperation and better governance. Because Lord knows we've got our hands full with the challenges the going forward. I think this is the only way to get through it.

BS: Mr. Speaker, that willingness to seek bipartisan compromise and work together is why we're giving you this award today. We appreciate you spending time with us, and telling us what to expect next year. On behalf of TML, thank you very much.

JS: Thank you, Bennett. It's always good to be with you. I look forward to getting back to Austin and seeing you in person soon. ★



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WHAT CAN SMALL CITIES DO LEGISLATIVELY?

The goings-on at the Texas Capitol every two years may seem like a big-city process since the legislature meets in Austin and many of the lobbyists and their firms are based in big cities. But 80 percent of the Texas Municipal League's (TML) member cities are under 10,000 population, and a large number of legislators and their staff have roots in small cities.

The League routinely calls on mayors, councilmembers, and city managers from small cities to testify, make phone calls, or get the word out about all the issues that Texas cities face. With due respect to the larger cities, often times nothing shouts "credibility" more than a small city mayor engaged on an important issue like telecommunications law or water policy. Texans like to think of themselves as small town and rural at heart, and our legislature is no exception. It's important that city officials from small cities make their voices heard.

With this in mind, the League needs your help mobilizing our membership at key points during the 2021 legislative session. One tool that has proven to be highly effective is the Grassroots Involvement Program (GRIP). GRIP is an

online survey that asks how well you know various state legislators, and if you are willing to communicate with those legislators during legislative session.

If you would like to support our advocacy work during the 2021 legislative session, please participate in the GRIP survey by visiting <https://bit.ly/TMLGRIP2021>.

A heads-up about this program: if you're an official from a small city, it is highly likely that you will be among the first to be called! We mean what we say—small cities matter to TML and to the legislature, and we need you as a partner in our efforts to protect your ability to make decisions for your residents and community.

The best thing you can do as an elected official in a small city is get to know your state legislators – not just during legislative sessions, but year-round. Give them a call, invite them to city hall, and share your town's concerns and successes. Ask how you can help them. Many of our legislators started out as mayors, councilmembers, commissioners, or school board members. They love to "talk shop."

For a complete list of contact information regarding your representatives, visit the state's "Who Represents Me" website at <https://wrm.capitol.texas.gov/home>. If you have any questions about the GRIP survey, contact JJ Rocha at jj@tml.org or 512-231-7400. ★

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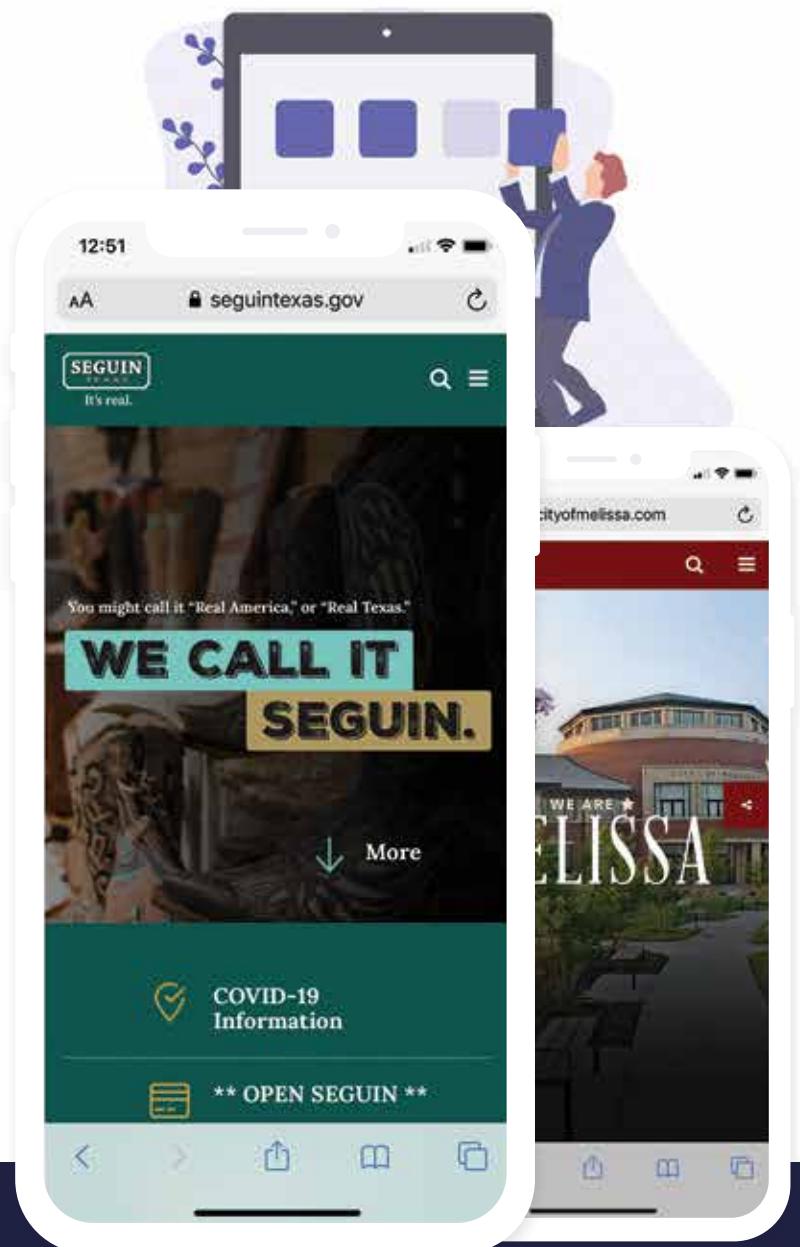
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LEGAL ★ Q&A

Q What is the TML legal services department?

A The League's legal services department provides general guidance to city officials on legal issues. The League hired its first lawyer in the 1950s. Since that time, the legal services department's staff has expanded to meet the growing needs of our member cities. Under the direction of the TML General Counsel, the current staff of three attorneys, a part-time law clerk, and a legal assistant performs numerous functions for the League's member cities. The main role of the department is to answer inquiries from the elected and appointed officials of the League's member cities about legal issues within their official responsibilities.

Q What is the department's most important service?

A The key service that the League's legal services department provides is responding to legal inquiries from member city officials. The legal staff responds to hundreds of phone calls, emails, and letters each week. In fact, over the last five years, the attorneys have provided legal advice to more than 75 percent of the League's more than 1,150 member cities. The inquiries range from simple questions to consultations on cutting-edge legal matters.

Q How does the legal department support the League's legislative activities?

A The legal staff provides support for the TML legislative services department on legislative matters throughout the legislative sessions, and during the interim. That support includes legal research, bill analysis, drafting of legislation, testimony on city-related bills, and coordination of city officials' testimony, among other things. During the 2019 regular session, TML attorneys reviewed and analyzed more than 7,500 bills and resolutions, and testified on bills before many committees of the Texas Legislature.

Q What other services does the department provide?

A The legal staff performs various other functions:

- Writing and updating the *TML Home Rule and General*

Law Handbooks. For the last update, the legal staff incorporated approximately 200 bills and dozens of other legal changes into the handbooks.

- In association with the Texas City Attorneys Association, providing "amicus curiae (friend of the court)" briefs in both state and federal appellate court cases and on attorney general opinion requests that could adversely affect our member cities. Over the past two years, TML has filed over 20 briefs.
- Preparing legal question-and-answer columns like this one and other articles for *Texas Town & City*.
- Researching and writing articles for the *TML Legislative Update*.
- Conducting the "Agency Watch" program, which consists of monitoring 50 state agencies for any rulemakings or other actions that may adversely affect our member cities, and participating or filing comments when appropriate. For instance, the League has participated in rulemakings or provided other input at the following state agencies: (1) Commission on Environmental Quality; (2) Public Utility Commission; (3) Department of State Health Services; and (4) Railroad Commission.
- Preparing materials for and presenting at numerous TML and TML affiliate workshops, small cities' problem-solving clinics, and other seminars, as well as providing speakers with expertise in city issues to other organizations. Over the past year, TML lawyers have spoken at many workshops and seminars.

Q How do I contact the legal department?

A The legal staff is available for phone consultation at 512-231-7400 from 8:00 a.m.-5:00 p.m. Monday through Friday. The most common way that city officials submit inquiries is through emails to legalinfo@tml.org. A great deal of information is also located on the "Legal Research" section of the League's website at www.tml.org.

Q What else do I need to know about the legal department?

A The League's attorneys serve as a resource to provide general guidance on legal issues. We do not directly represent your city, and our legal guidance should never be substituted for that of your local counsel. ★



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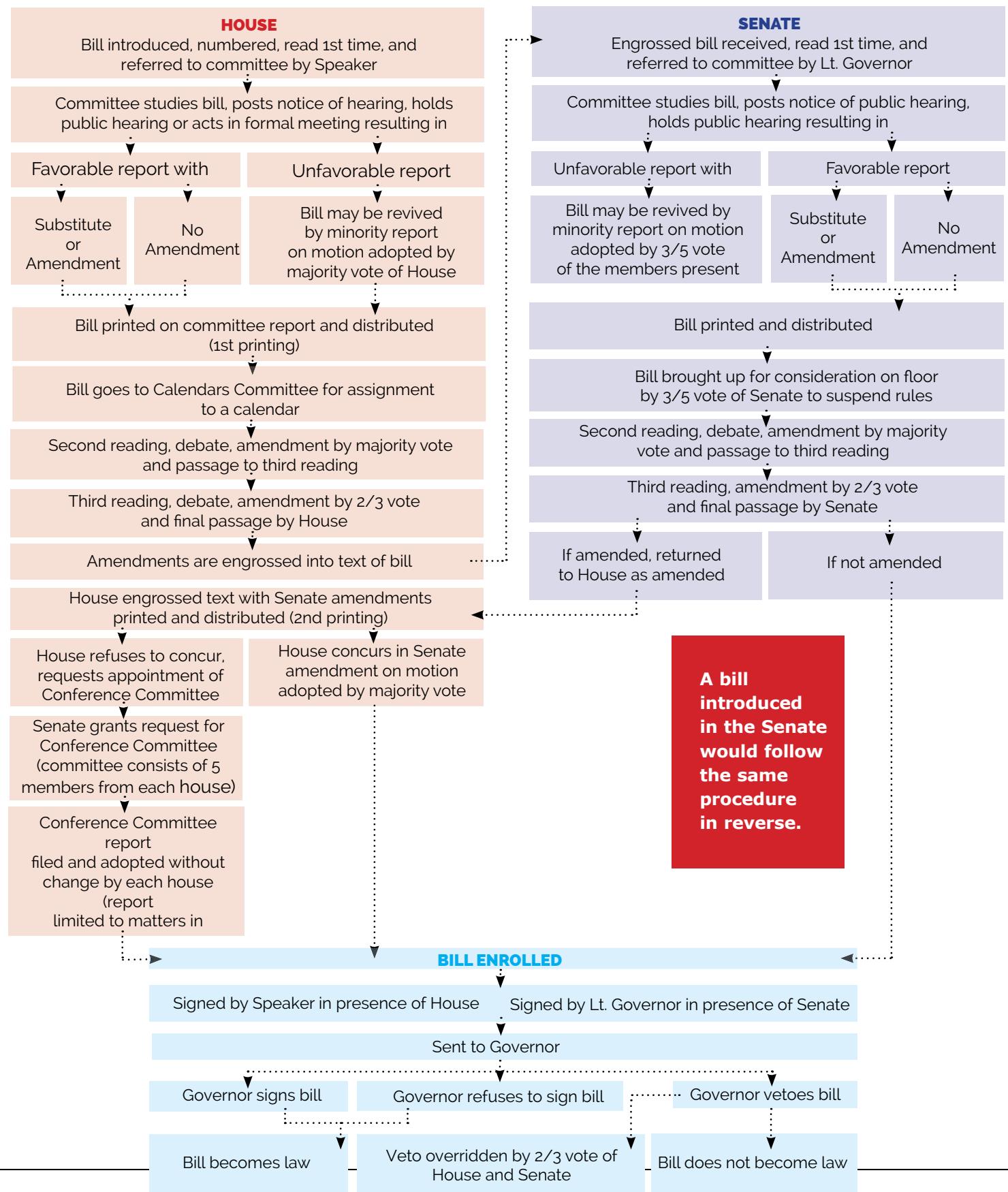
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The Texas Legislative Process for Bills and Resolutions

This diagram displays the sequential flow of a bill from the time it is introduced in the House of Representatives to final passage and transmittal to the Governor.



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CITY PROPERTY TAXES: TREMENDOUS BANG FOR THE BUCK

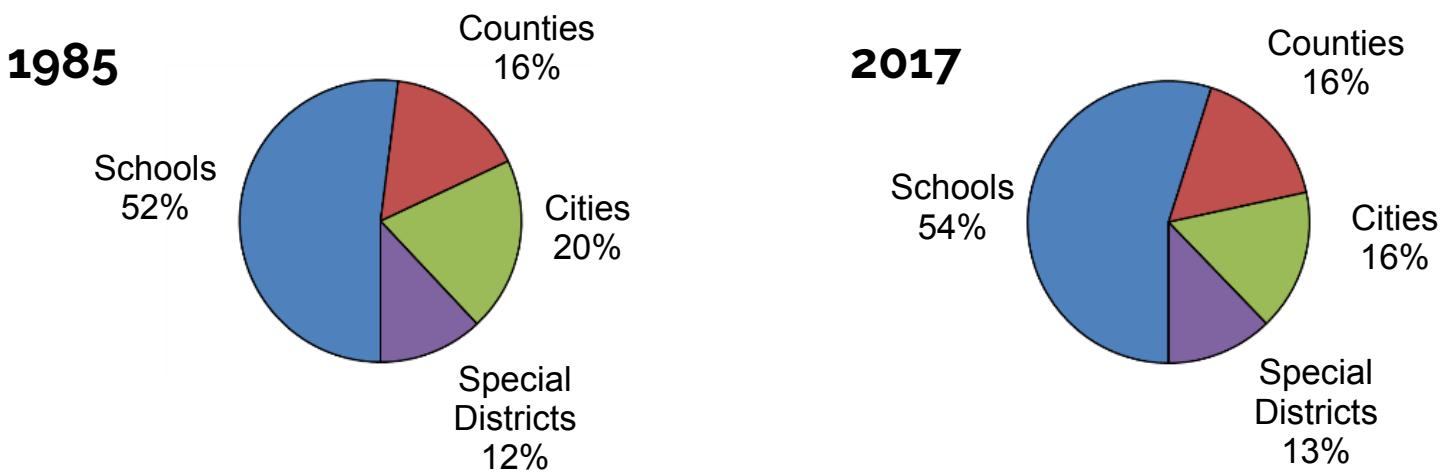


Texas cities depend heavily on property tax revenue. Property taxes help fund many of the services that residents demand including police, fire, streets, and parks. But as Chart 1 shows, city property taxes constitute a small portion of a typical homeowner's property tax bill.

Chart 1

Distribution of Property Tax Collections

Source: *Texas Comptroller's Biennial Property Tax Report*



How do Texas cities provide so many services with such a small share of a typical property tax bill? Is it with financial help from the state? Not quite.

Unlike other states, Texas provides no general-purpose state aid to cities to help pay for streets, public safety, or

other city services. The state forces cities to generate their own revenue. That's why (as the chart below shows) per capita state tax revenue is relatively low, while per capita local tax revenue is comparatively high.

Chart 2

State and Local Government Tax Revenue, 2018

Source: U.S. Census Bureau

	<u>U.S.</u>	<u>Texas</u>
Per capita state and local	\$5,384	\$4,470 (29 th)
Per capita state	\$3,126	\$2,102 (49 th)
Per capita local	\$2,258	\$2,368 (13 th)
Percent local	41.9%	53.0%

But Chart 2 focuses on "local governments" (cities, counties, schools, and districts). What about cities only? For this information, we turn to a publication of the National League of Cities (NLC), *Cities and State Fiscal Structure*.

One section of this report tabulates, for each state, a statistic the authors refer to as "own-source capacity." This is a measurement of the extent to which decisions made by city officials actually determine the city's fiscal direction. Since Texas cities take care of themselves without intergovernmental aid, it comes as no surprise that Texas ranks second in the nation in municipal own-source capacity.

The flip side of that coin, however, is the report's measure of state aid to cities. Here again, the NLC report replicates previous research: Texas trails only Georgia, Oklahoma, and West Virginia in state aid—the share of municipal revenue that comes from state government sources.

These two findings of the NLC report once again establish these facts: (1) the State of Texas relies very heavily on Texas cities to generate the revenue necessary for municipal facilities and services; (2) the state gives cities the capacity to generate that revenue; but (3) the state gives cities virtually no state financial aid.

In addition to forcing local governments to generate comparatively large amounts of tax revenue, the State of Texas also forces those local governments to rely too heavily on property taxes. It does this by denying them other revenue

sources. While this is especially true for public schools which rely almost exclusively on the property tax, it is also true for cities and counties. In fact, of the \$2,368 shown in Chart 2 as per capita local government tax revenue in 2018 in Texas, a whopping \$1,968 (83.1 percent) came from the property tax.

These two fiscal conditions, which create the property tax mess in Texas, are unlikely to change unless the State of Texas takes one (or both) of two actions:

1. Inject more state money into public services and facilities, especially public schools. This means even more state revenue than was provided through past school funding efforts.
2. Open more revenue sources for counties and cities.

Additional attempts to reduce the property tax burden in Texas will either be ineffective or will create unintended, negative consequences.

In a nutshell:

1. Texas cities provide vital services that benefit their citizens;
2. Texas cities provide those services with less aid from the state, as compared to other states; and
3. Texas cities manage all of this despite a very small share of the total property tax levy and with reasonable annual increases in those taxes. ★



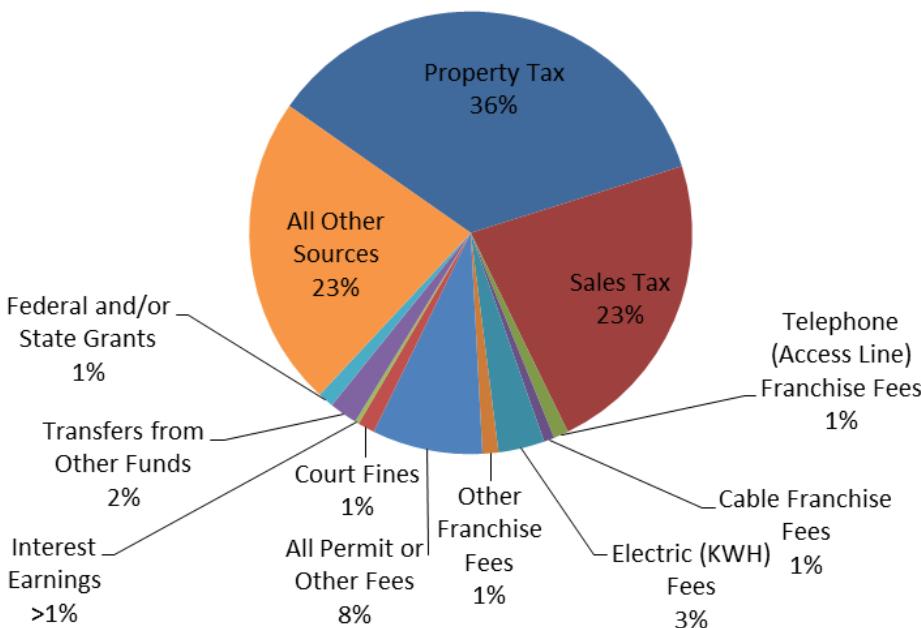
WHERE DO TEXAS CITIES GET THEIR MONEY?



City government is where the rubber meets the road. Cities pave our streets, fight crime and fires, prepare us for disaster, bring water to our taps, take our trash away, build and maintain our parks—the list goes on and on. These services cost money. This article describes the sources of municipal revenue and expenditures.

A 2018 Texas Municipal League survey shows that municipal general fund revenue in Texas is made up of the following sources:

General Fund Revenue



Conspicuously absent from this list is financial assistance from the state. This is unusual—most states provide direct financial assistance to cities in recognition of the fact that cities provide basic services on which the entire state depends.

Instead of revenue, Texas cities receive something equally important from the state—broad authority to govern themselves, including the authority to raise their own revenue. This local authority has worked to the benefit of cities and the state for many decades and should continue into the future.

Here's more information on each source of municipal revenue:

Property Taxes

Property taxes are the leading source of city revenue. Though crucial to city budgets, city property taxes make up just a fraction of a property owner's total property tax bill.

Most cities under 5,000 population have statutory authority to levy property taxes at a rate of up to \$1.50 per \$100 of assessed value. Most cities over 5,000 population have statutory authority to levy property taxes at a rate of up to \$2.50 per \$100 of assessed value. Despite this broad authority, the average city property tax rate was only \$.53 for tax year 2018.

City property tax levies are tied by law to fluctuating property tax values. As values increase, the city must adjust its rate or face potential rollback elections. In reality, such tax rollback elections are rare. City rates have held relatively steady for years, both in terms of actual rates and in terms of total levy as adjusted for inflation and rising income.

Sales Taxes

Sales taxes are a major source of city revenue. Nearly 93 percent of Texas cities levy a basic one-cent city sales tax. The revenue can be used for any purpose other than payment of debt. Many cities, though not all, also impose additional sales taxes in varying amounts of up to one cent. These additional sales taxes are known as dedicated taxes, because their proceeds may be spent only for certain purposes. Some popular dedicated sales taxes include mass transit, economic development, street maintenance, property tax relief, and sports venue taxes. All city sales taxes, including the basic one-cent sales tax, require a local-option election of the

citizens. Collection of sales taxes is performed by the Texas comptroller, who "rebates" the city share on a monthly basis. The comptroller retains a small portion of the city tax revenue to cover the state's administrative costs.

Right-of-Way Rentals

When utilities and other industries use city property to distribute their services, cities are permitted by law to collect rental fees, also known as "franchise" fees, for the use of public property. Franchise fees are calculated by various methods, depending on industry type.

Permits and Fees

Cities may collect fees for issuing permits for building construction, environmental regulation, and other services. Because cities incur costs to regulate in these areas, the permit fees must be tied to the cost of providing the service.

Court Fines

A city that operates a municipal court may impose fines for violations of traffic laws and city ordinances. Maximum fines typically range from \$200 for traffic violations, and up to \$2,000 for city ordinance violations relating to health and safety. Much of a city's fine revenue offsets the costs of law enforcement and operation of the municipal court system.

Interest Earnings

When a city invests its funds, it must closely follow the mandates of the Public Funds Investment Act. Because of the twin concerns of safety and liquidity, investment income is a relatively small source of city revenue.

Transfers from Other Funds

Many cities operate utilities and other optional services that generate substantial gross revenues. By law, the

fees for such services must closely offset the cost of providing the service. In addition to the cost factor, cities are permitted to retain a reasonable "return," which can then be transferred to the general fund. This return amounts to less than six percent of overall city revenue.

Other Sources

City revenue can take various other forms, including user fees for some services, amusement taxes, and hotel occupancy taxes.

The Bottom Line

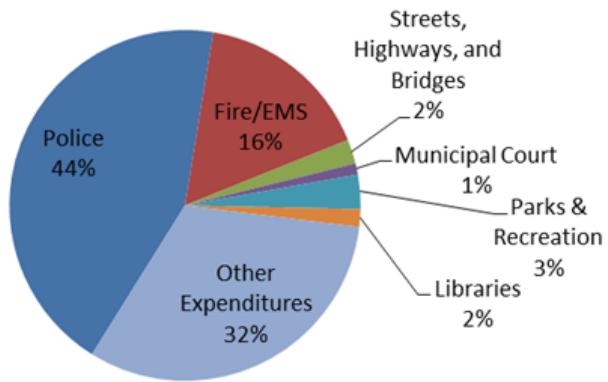
The state could put municipal revenue at risk in at least two ways. First, the state could increasingly look to cities for revenue to fund state programs. When a state provides direct financial assistance to its cities, such trading of revenue might be workable. Texas is not such a state. Texas cities receive virtually no direct funding from the state, and cannot afford to fund the state's obligations. Second, the state could erode the statutory authority under which cities raise their own revenue. While cities are indeed subservient to the state, city officials hope that the respectful nature of the fiscal relationship between Texas cities and the state will continue for years to come.

Did You Know? Many people mistakenly believe that cities derive substantial general revenue from their courts. In reality, the first \$84 of most traffic tickets goes directly to the state. What's left over, if any, can be used by the city. Unfortunately, city courts are increasingly being used as a backdoor revenue source for the state.

Expenditures

Core city services like police, fire, and EMS account for the majority of expenditures in a survey conducted by TML. In addition, cities spend revenue on streets, municipal courts, parks, and libraries. "Other Expenditures" in the survey include primarily administrative and personnel costs.

General Fund Expenditures



Putting Local Debt in Context

The story about debt coming out of certain Austin think tanks goes something like this: the state has its fiscal house in order, but local governments are greedy, profligate spenders running up the taxpayers' credit card. It's a powerful narrative, but it isn't true.

A recent report issued by the Texas Bond Review Board shows total outstanding state and local debt for the past few years. From 2014-2019, total outstanding local debt increased from \$205.15 billion to \$239.9 billion, a 16.9 percent increase. Meanwhile, total outstanding city debt increased from roughly \$67 billion to \$77 billion, a 15 percent increase during the same time frame. For the same period, total outstanding state debt increased from \$44.3 billion to \$59.9 billion, a 35.2 percent increase. In other words, local debt (and city debt) is increasing at a lesser rate as state debt in recent years.

At \$239 billion, the amount of total local debt is certainly significant. However, only a small portion of that—\$34 billion—is tax-supported city debt. Another \$42 billion is city debt supported by the revenues of city utilities and not by property taxes. The largest portion is tax-supported school district debt at \$87 billion.

School funding is a constitutional obligation of state government. The state has chosen to discharge that obligation by creating local school districts that levy the

needed taxes. In reality, the \$87 billion of school district debt ought to be thought of as a state debt because that's how the state has chosen to fund schools. Shift that \$87 billion over to the state debt column and a vastly different picture about which governments may be falling dangerously into debt emerges. In any event, the numbers clearly show that it isn't Texas cities.

The recent focus on local debt (despite the fact that state debt is growing faster) likely relates to the reality that Texas state government, for better or worse, has gotten out of the business of building new state infrastructure with state dollars. Instead, locals are expected to pick up the slack for things like roads and reservoirs.

Consider the water funding proposition that passed in November 2014—it ultimately spends zero state dollars. Instead, through the use of a revolving fund, it *encourages cities to take on debt* to build our state's important reservoirs and other water projects. This is a perfect example of the state essentially forcing locals to take on debt to do the state's work, then blaming the same locals for having taken on the debt in the first place.

Texas cities are willing to partner with state government to build infrastructure in our great state, but should not be considered scapegoats in that partnership. ★

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CRACKING THE CODE: CITIZEN SAFETY AND PROTECTION OF PROPERTY VALUES

The building code of 4,000 years ago was simple but brutal. According to an ancient Hammurabi code, "If a builder builds a house and does not make its construction firm, and the house collapses and causes the death of the owner, that builder shall be put to death."

The first building codes in the United States, established in 1625, addressed fire safety and specified materials for roof coverings. In 1630, Boston outlawed wooden chimneys and thatch roof coverings. In the late 1770s, George Washington recommended height and area limitations on wood frame buildings in his plans for the District of Columbia. In 1788, the nation's first-known formal building code was written in Winston-Salem, North Carolina. Larger United States cities began establishing building codes in the early 1800s.

Today, most populous cities in Texas have adopted modern construction codes. The professionals enforcing current building codes in Texas maintain the vigilance of the ancient code of Hammurabi, but with a significantly more civilized approach that emphasizes knowledge and education. Building code regulations enforced in Texas cities ensure minimum standards for safe homes, schools, workplaces, and other buildings.

Scott McDonald, Denton's director of development services, points out that "during these tough economic times, the enforcement of construction codes is even more important." According to McDonald, "The active enforcement of construction codes not only provides a minimum standard for the structural and life safety components of the homes, schools, churches, and businesses, it can also provide energy efficiency standards."

"Buildings constructed to meet updated codes and energy efficient standards protect property values for years into the future, [and] they provide a sustainable stock of housing and commercial options in a community," he adds.

Prior to 2001, Texas had no statewide standard for any residential or commercial buildings. Each city chose which, if any, building codes to adopt for construction within the

city limits, and each city amended its code to meet local concerns.

In 2001, the Texas Legislature adopted the International Residential Code (IRC) and the National Electrical Code (NEC) as the standard building codes for residential construction in Texas cities. Under the statute, cities are authorized to make amendments to these codes to meet local concerns. Also in 2001, the legislature also adopted energy efficiency standards for residential, commercial, and industrial construction.

In 2005, the Texas Legislature adopted the International Building Code for most commercial and multi-family construction, but nothing in the bill prohibits a city from adopting local amendments to the International Building Code. Later sessions included revisions to the International Energy Conservation Code.

Uniform building codes can make construction and inspection easier and more cost-effective. However, because Texas is a vast state with many different climates and topographical features, uniform codes serve only as standards, and each city should be allowed to amend its codes to meet that city's needs. In 2009, the legislature added procedures that larger cities must follow when reviewing or amending their building codes. More recently in 2019, the Texas legislature adopted H.B. 2439, which impacts a city's ability to control building materials or construction methods of residential or commercial buildings within the city. Generally, H.B. 2439 provides, with some exceptions, that a city may not prohibit or limit the use or installation of a building product or material in the construction, renovation, maintenance or other alteration of a residential or commercial building if the building product or material is approved for use by a national model code published within the last three code cycles that applies to the construction, renovation, maintenance or other alteration of the building. Additionally, a city may not establish a standard for a building product, material or aesthetic method in construction, renovation, maintenance or other alteration of a residential or commercial building if the standard is more stringent than a standard for the product, material or aesthetic method under a national model code published within the last three code cycles that applies to the renovation, maintenance or other alteration of the building. While a city can continue to amend its building codes, such amendments may not be in conflict with the provisions of H.B. 2439.

Under most cities' codes, a person who wishes to build a structure must apply for a permit. City officials review the necessary information and issue a permit if the structure

complies with that city's regulations. The amount of time needed to review the permit application varies from city to city and from project to project based on several factors, including the complexity of the city's code and the project. Because of many issues affecting each individual city and building project, a blanket requirement that a permit be issued in a certain amount of time would place an untenable burden on city building officials.

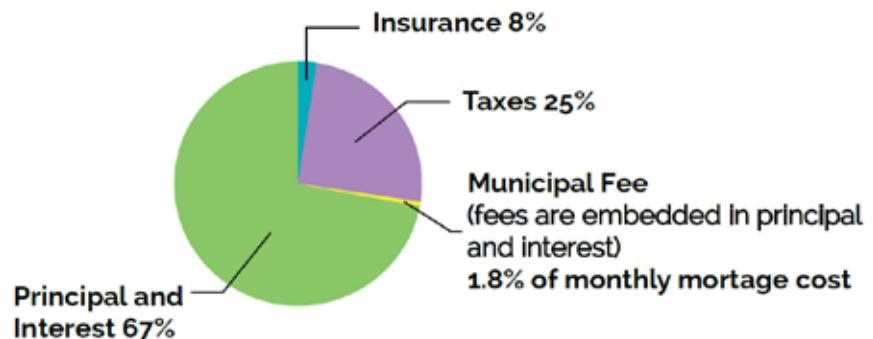
Similarly, building permit fees vary widely based on several factors, including the number and type of inspections and the sophistication of the city's permitting process. While some have claimed that city fees are responsible for the rising costs of housing in Texas, a survey commissioned by the Texas Municipal League shows that building and inspection fees constitute only a tiny fraction of a

homebuyer's mortgage payment (see Chart 1). A city is not limited by statute as to the amount the city can charge for building and related permits, but a city cannot charge more than is reasonably related or necessary to administer the permitting process as that could be deemed an unconstitutional tax. Additionally, H.B. 852, which was adopted by the legislature in 2019 prohibits a city from basing its building permit fees on the cost of a proposed structure. Specifically, a city, in determining the amount of a building permit or inspection fee required in connection with the construction or improvement of a residential dwelling, may not consider: (1) the value of the dwelling; or (2) the cost of constructing or improving the dwelling. As a result, cities have opted to use square-feet based fees, a flat fee schedule or other non-cost-based and reasonable calculations to determine reasonable permit fees. ★

Chart 1

The Role of Municipal Fees in Monthly Mortgage Costs

(Average of Eight Representative Texas Cities, 2003)



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CITY ECONOMIC DEVELOPMENT

Texas cities are the first—and often the only—engine of economic development in the state. Until the controversial Texas Enterprise Fund was created, cities were the only entity that routinely granted incentives necessary to attract new business to the state. With the Enterprise Fund up and running, larger cities have partnered with the state to attract such major developments as a Texas Instruments facility and a Toyota plant. Smaller cities are usually on their own to attract business.

Until the late 1980s, using city resources to attract business was arguably unconstitutional. In 1987, Article 3, Section 52-a of the Texas Constitution was added to make it clear that economic development serves a public purpose. From that point on, three major channels of city economic development began to open for cities: Chapter 380 agreements; the Type A/Type B economic development sales tax; and property tax incentives.

Chapter 380 Agreements

Chapter 380 of the Local Government Code authorizes cities to establish programs for grants and loans of city resources for economic development purposes. Though it is the broadest economic development tool for cities, Chapter 380 is often overlooked in favor of other incentives. Cities using 380 agreements must be careful not to simply present a blank check to business and industry prospects: A program providing for checks and balances on a business's use of Chapter 380 money is required by law. Examples of these checks and balances might be performance agreements tying grant money to the creation of a certain number of jobs, or requiring the business to stay in the city for a certain length of time.

Type A/Type B Economic Development Sales Tax

More than 500 Texas cities have adopted a Type A or Type B economic development sales tax. Some cities have both taxes. The tax was created in 1989 and authority to spend Type A/Type B tax money gradually expanded over the next decade to cover all forms of commercial,

retail, and traditional industrial economic development. An important bill, H.B. 2912, passed in 2003. H.B. 2912 scaled back the authority of some Type A and Type B economic development corporations. Following the passage of H.B. 2912, the sales tax could no longer be spent on retail, commercial, or service industries. Instead, the tax could be spent on basic industrial and manufacturing businesses, among a limited amount of other authorized expenditures. The authority for some, but not all, Type B corporations to engage in retail, commercial, and service economic development was restored in 2005.

The Type A/Type B sales tax remains an important economic development tool for many cities that have the available land and workforce to attract industry. Additionally, instead of a Type A or Type B economic development sales tax, some cities have adopted a municipal development district (MDD) sales tax that may be levied in a specified area in the city or in the city's extraterritorial jurisdiction. The MDD sales tax closely resembles the traditional economic development sales tax, and the scope of projects that may be funded with an MDD tax is slightly broader. There are some key differences in how an MDD is administered as compared to an EDC, however, including a bit less statutory clarity on the city's oversight of an MDD.

Property Tax Incentives

Property taxes may be directly tapped to promote economic development in two ways: tax abatement and tax increment financing. Both function by either forgiving (abatement) or dedicating to improvements (increment financing) any net increase in property tax revenue as a result of a business moving to town or upgrading existing facilities. Property tax incentives can never forgive or decrease the present taxable value of the land and facilities upon which they are granted. This key feature of the incentives—that all current taxes must continue to be paid—belies the common stereotype that tax incentives are “giveaways.” On the contrary, when done properly, tax incentives create new taxable value that never would have come to town absent the incentive, thus lowering the overall tax burden on other properties. ★



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The rest involve some serious up-front investment but may be attainable with the right planning and partner's help. Some companies out there even offer special financing options to help you not only save now, but in the long term through: **5.** Daylight Harvesting, **6.** Building Management Systems (BMS), **7.** Photovoltaic (PV) Solar, **8.** Battery Storage, **9.** Facility Task Management, **10.** Capacity Management Systems, **11.** Automated Curtailment, and **12.** HVAC Upgrades.

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CITIES KEEP THE GARBAGE FROM PILING UP



Garbage collection and disposal is one of the most recognizable and widely used city services. This vital service protects the public health and the environment. A city can choose to operate its own garbage collection and disposal system or grant a franchise to a private company (or companies) to handle those tasks.

"If future generations are to remember us with gratitude rather than contempt, we must leave them something more than the miracles of technology. We must leave them a glimpse of the world as it was in the beginning, not just after we got through with it."

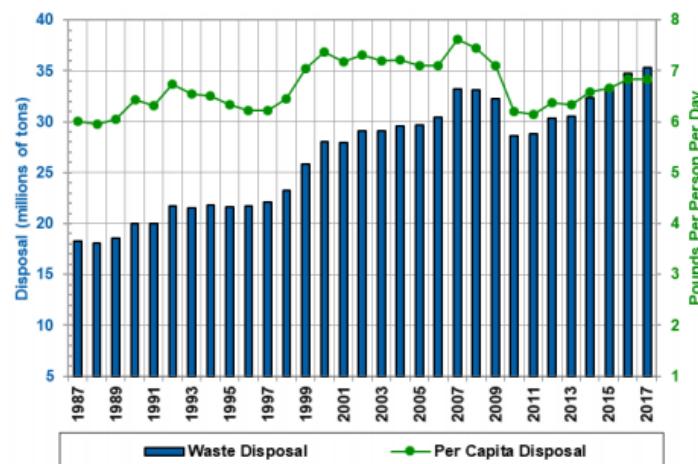
-President Lyndon B. Johnson

Waste generation is a function of two variables – population and economy – both of which are growing in Texas. In Texas, the definition of “municipal solid waste” includes waste resulting from or incidental to municipal, community, commercial, institutional, and recreational activities including garbage, rubbish, ashes, street cleanings, dead animals, abandoned autos, and all other solid waste other than industrial solid waste. According to the Texas Commission on Environmental Quality (TCEQ), Texans disposed of approximately 36.8 million tons of municipal solid waste in 2019. That's about 6.96 pounds per person per day, a slight decrease from the 2018 rate of 7.22 pounds. During this period, the state's population increased by 1.02 percent.

Did You Know?

Texas cities have been authorized to provide or contract with a private company to provide garbage collection services within city limits since 1971. Texas law recognizes that this authority is essential to preserve the public health and safety of all the residents of a city. Uncollected garbage can easily result in various health problems. This law routinely comes under attack from certain groups, but the bottom line is that timely, efficient, and effective garbage collection through city service prevents problems from occurring. Open piles of garbage attract disease-carrying rodents and insects, and often wash into drainage systems where they contribute to floods and waterborne disease.

Texas Total and Per Capita for MSW Landfill Disposal



Source: TCEQ, Municipal Solid Waste in Texas: A Year in Review - FY2019 Data Summary and Analysis (September 2020)
Figure 3 located here: https://www.tceq.texas.gov/assets/public/comm_exec/pubs/as/187-20.pdf

*"Unless someone like you
cares a whole awful lot,
nothing is going to get better –
It's not."*

-The Lorax by Dr. Seuss

Cities have statutory authority to offer recycling programs to their citizens. Recycling helps reduce the production of solid waste that a city must dispose of and reduces the costs of operating a municipal solid waste disposal system. In addition, recycling may also create more jobs than disposal programs do. Of course, statewide recycling mandates wouldn't take into account the various factors that make different parts of Texas unique, so recycling should be implemented locally in a way that is appropriate for each city. ★

Recycling of Municipal Solid Waste (MSW) in the United States 1960-2017

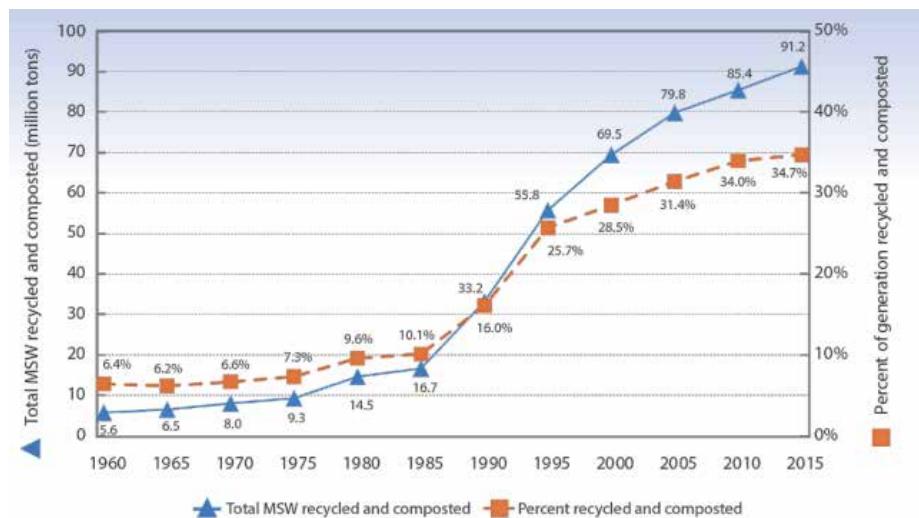


Figure 2 located here: https://www.epa.gov/sites/production/files/2019-11/documents/2017_facts_and_figures_fact_sheet_final.pdf

Where Does It Go After I Place It at the Curb? How Much Does This Service Cost?

After household garbage is collected, it often goes to a facility known as a transfer station where waste is consolidated into larger loads for shipment to its ultimate destination: a landfill or a waste-to-energy plant. Recyclable material goes to processing facilities where it becomes raw materials for new products.

In 2017, 52.1 percent of municipal solid waste generated in the United States was ultimately disposed of in landfills; 12.7 percent was disposed of through waste incineration with energy recovery; and 35.2 percent was recovered for recycling or composting.

According to data collected by the National Solid Wastes Management Association, the typical U.S. monthly household bill for waste collection in 2003-04 ranged between \$12 and \$20 per month. The cost of governmental compliance and the rising costs of fuel and equipment has led to an increase in the costs of collection and disposal in some communities. However,

even with such increases, residential trash collection and disposal is still inexpensive relative to other utilities and household services, such as cell phone bills and cable television.

Collection and disposal costs have gone up in some communities for various reasons including the rising costs of fuel and equipment, as well as the rising costs of complying with new environmental regulations. Despite these increases, residential trash collection and disposal is still a bargain for United States consumers when compared to other utilities and services like cellular phone and cable television service.

Sources:

EPA, Advancing Sustainable Materials Management: 2017 Fact Sheet (November 2019)
National Solid Wastes Management Association, Residential Trash Collection: An Essential Service at a Bargain Price



PUTTING THE "WORKS" IN PUBLIC WORKS

Streets and Traffic

Citizens expect to travel easily from one place to another and want their commute to be problem-free. A city's public works department makes that possible. Public works employees are constantly striving to keep driving conditions safe by building, maintaining, and repairing city streets. These efforts are not limited to streets, but also include street lights, sidewalks, and other infrastructure that is crucial to cities. However, funding such maintenance efforts, which benefit the entire State economy, is a challenging task for Texas cities. Unlike many other states, Texas cities receive no state aid to offset the benefits that city streets provide. In those other states, a portion of vehicle registration fees or gasoline taxes are returned to cities for this purpose; not so in Texas. However, the Texas Legislature has granted Texas cities the authority to impose a street maintenance sales tax to be used to maintain city streets. Many cities have adopted this tax.

Traffic Signals: Coordinating Intersections Isn't Free.

According to the City of Austin, after a traffic signal request is granted for an intersection, it costs approximately \$200,000 to construct and install a single traffic signal.

Right-of-Way Authority and Utilities

Many Texas cities are experiencing an unprecedented level of activity in their streets and rights-of-way (ROW). This is the result of an explosion in new communications technology, the growth of competition in the telecommunications industry, and the expansion of electric distribution lines to newly developing areas.

Sometimes, these activities can have a detrimental effect on public safety, traffic flow, city infrastructure, and efficient city administration. On occasion, excavations caused a breach in major water lines, and other ROW activities caused front-page incidents due to heavy traffic. Cities have had their utility lines cut, their streets barricaded and torn up, and suffered breaches in their major water lines. These actions significantly shorten the life expectancy for city streets, and make them unsuitable for traffic.

The new most recent ROW issues have arisen due to the planned proliferation of "small cell nodes." A small cell node is an antenna and related equipment that can provide very large bandwidth at a very short range. They are, by definition, deployed in densely-populated areas as a means to provide the broadband capacity that people and business want and need. One overarching principle relating to small cell deployment is clear: cities and businesses want better cellular/broadband service. Everyone wants the best technology for educational and businesses opportunities.

Senate Bill 1004, passed in 2017, attempted to help companies roll out their small cell facilities. The bill requires a city to allow access for cell nodes and related equipment in city rights-of-way, and it also entitles cell companies and others to place equipment on city light poles, traffic poles, street signs, and other facilities. That mandate can pose a public safety threat. More troubling, however, is that the bill limits cities to a rental fee of \$250 per node, far less than the amount companies must pay on the open market.

Similarly, S.B. 1152 passed in 2019, eliminated certain franchise fees. The bill authorized a cable or phone company to stop paying the lesser of its state cable franchise or telephone access line fees, whichever are less for the company statewide. Under the bill, compensation of the use of city's right-of-way is no longer based on the value of the right-of-way to the companies, rather its effect is to force city taxpayers to subsidize the cost of doing business for the companies.

As a result, a coalition of cities filed a lawsuit challenging S.B. 1004's unconstitutional cap on small cell rental fees and S.B. 1152's elimination of certain franchise fees. The lawsuits assert that the cap and the franchise fee elimination are a taxpayer subsidy to the cellular industry and telecommunication industry because they allow nearly free or discounted use of taxpayer-owned rights-of-way and facilities. Put simply, the bill takes the money every city resident pays in taxes and hands it directly to cell phone and telecommunications providers. Both lawsuits are pending.

Adding fuel to those flames, the Federal Communications Commission (FCC), in 2017, also adopted an order preempting municipal authority over small cells and related equipment, further usurping local right-of-way authority and capping right-of-way rental fees for small cell deployment. In response, a national coalition of cities led by the City of Portland filed a lawsuit challenging the FCC order. In August 2020, a court of appeals court upheld the provision of the FCC's order that limits a city's right-of-way fees to a recurring fee of \$270 per site, per year, and expressly limits the ability of a city to recover any cost not directly related to rights-of-way maintenance, charging fees above cost recovery, or recovering "unreasonable" costs, such as excessive contractor or consultant fees.

Right-of-Way Compensation

The Texas Constitution prohibits a city from allowing the use of its rights-of-way for free. Thus, cities collect compensation in the form of rent (based on various state and federal statutes) from utility providers. Some have attempted to characterize this rent as a "tax." That characterization is incorrect. Instead, the rent is a cost of doing

business for a utility that uses a city's property (just as a utility would have to rent property or obtain an easement from a private landowner). Utilities such as satellite providers do not pay the rent when they have no facilities on city property. In any case, the law authorizes compensation that provides significant revenue for cities.



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Local Participation: Cities Help Pay for State Highways

Although amendments to the Texas Constitution in 2013 and 2015 boosted Texas Department of Transportation (TxDOT) funding significantly, TxDOT continues to ask for "local participation" in many of its projects. Local participation is sometimes referred to as a "pay-to-play" system imposed by TxDOT on local governments that wish to see highway projects in their area move forward. Moreover, TxDOT sent a letter in summer 2013 to cities with a population of more than 50,000 – as well as select smaller cities adjoining or surrounded by those larger cities – informing them that TxDOT intended to consider transferring all maintenance of certain non-controlled-access state highways to the cities in which they are located. TxDOT dubbed the proposal "Turnback." The agency later stated the program was always intended to be a "voluntary participation program." In any case, cities pitch in more than \$100 million annually in cash and much more in right-of-way donations and in-kind services. In addition, the state gasoline tax paid by cities accounts for many more millions of dollars paid by cities for the state transportation system.

and requires more than 400 of the state's smaller cities to also develop storm water management programs. At a minimum, the programs must include public education and participation, detection of unwanted discharges into sewers, construction site storm water runoff controls, and pollution prevention measures.

In addition, cities operating under the Phase II permit must issue an annual report to the TCEQ that includes information regarding the status of compliance with permit conditions, an assessment of the appropriateness of best management practices, a description of progress toward reducing the discharge of pollutants to the maximum extent practicable, the measurable goals for each of the minimum control measures, and an evaluation of the program's progress. TCEQ, in compliance with federal law, reissued the Phase II general permit for small cities in 2013.

All Texas cities subject to the NPDES program are required to identify and apply management practices to reduce storm water pollution. Unsurprisingly, implementing such practices comes at a high monetary cost, especially in light of the fact that the mandate is not funded by the state.

In 2003, the Texas Legislature enacted a law that exempted state colleges and universities from paying municipal storm water utility fees. The rationale for that exemption (presumably) was that a taxpayer-funded entity shouldn't be required to pay a fee to another taxpayer-funded entity. In 2007, private universities sought and obtained the same exemption. The exemption of private colleges and universities has had detrimental effects on some cities. These private entities benefit from the flood prevention and storm water control provided by storm water utilities, and both public and private universities generally have very large areas of impervious cover that contribute to runoff. The exemptions have resulted in a cost shifting to residents and businesses. Further, a city council can consider exempting public school districts, public agencies, and religious groups. If a city council chooses to do so, the same cost shifting result may occur. ★

Municipal Drainage Utilities

As a means to protect citizens from the devastating effects of flooding and to offset the costs of unfunded federal storm water mandates, the Local Government Code authorizes Texas cities to establish municipal storm water drainage utilities. The utilities are generally funded by fees on properties that are benefited by the improvements. The fees must be nondiscriminatory and must be directly related to drainage.

Federal Storm Water Mandates and Municipal Drainage Utilities

Federal Storm Water Mandates

During rainfall, storm water runs off impervious areas such as paved streets, parking lots, and rooftops. The storm water contains pollutants that may adversely affect water quality. Thus, the federal Clean Water Act requires cities to obtain a permit from the United States Environmental Protection Agency (EPA) before allowing the discharge of storm water from a storm sewer system into rivers and lakes. In Texas, the EPA has delegated the administration of the storm water permitting program (known as the "National Pollution Discharge Elimination System" or "NPDES") to the Texas Commission on Environmental Quality (TCEQ).

Most medium and large cities in Texas, such as Dallas, Houston, San Antonio, Austin, Abilene, and others, currently operate under a "Phase I" permit. Since the early 1990s, "Phase I" cities were required to develop a storm water management program that would reduce storm water pollutants. Many other Texas cities are subject to the "Phase II" general permit. The Phase II program began in 1999



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THE GROWING NEED FOR WATER AND WASTEWATER SERVICES

The population in Texas is expected to grow to at least 50 million by 2070. By 2070, municipal water use is expected to constitute the highest demand of all water uses. Providing safe, clean, and reliable drinking water to meet this demand presents a challenge for most Texas cities. Investments in drinking water and wastewater systems protect public health, aid in protecting the environment, provide fire protection, and ensure that there is an adequate water supply to support the state's growing population, businesses, and industries.

Adequate water supply is often a determining factor in economic development. Businesses and industries are going to choose locations with a stable and sufficient water supply over those states or regions without quality and adequate supplies of water.

The Environmental Protection Agency (EPA) estimates that America's drinking water systems alone will have to invest up to \$271 billion over the next 25 years

to keep up with the growing demand for drinking water and the nation's aging drinking water infrastructure. Over the next decade, Texas cities will have to expend millions of dollars on waste and wastewater systems to keep pace with the tremendous population growth in Texas, especially since the United States Conference of Mayors estimates that 95 percent of spending on water infrastructure is made at the local level. In addition to meeting the growing demands for water services and replacing aging infrastructure, the investment is also necessary to ensure compliance with the federally-mandated Clean Water Act and Safe Water Drinking Act.

Many water utility systems in Texas are decades old. Some systems have come to the end of their useful lifespan, and upgrades may no longer be sufficient. Some cities may even have to replace these essential utilities completely. Upgrading or replacing a water or wastewater system is a costly undertaking that requires the commitment of large sums of capital

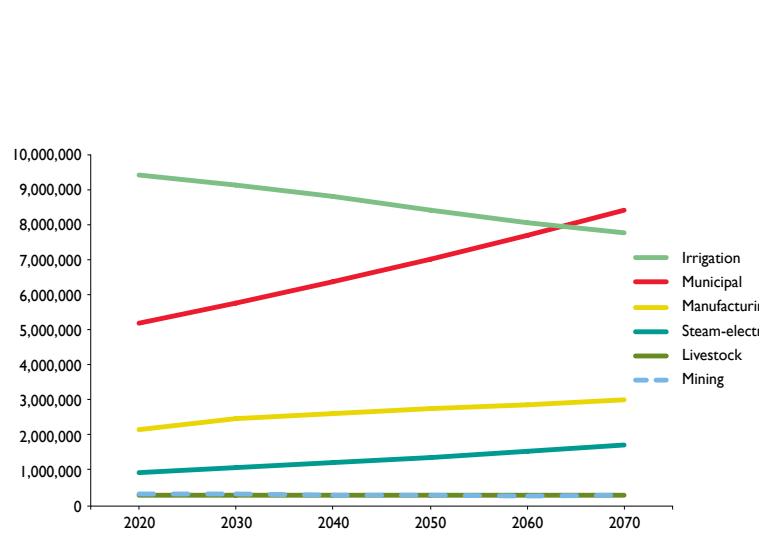
investment. However, the return is generally well worth the large expenditure.

Municipal wastewater treatment plants prevent billions of gallons of pollutants from reaching our rivers and lakes each year. Additionally, the provision of safe drinking water to our suburban areas has allowed our state to grow at unprecedented levels.

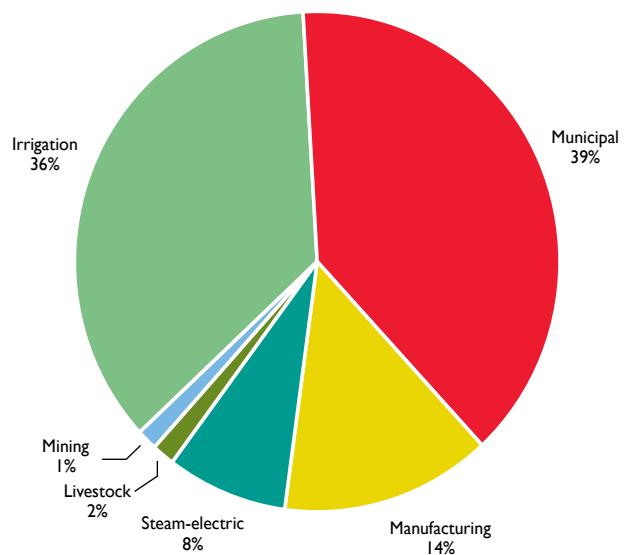
Unfortunately, many Texas cities are struggling to keep up with the costs of complying with increasingly stringent federally and state-mandated regulations. The budget pressures associated with meeting these new standards or facing stiff fines from regulating agencies often force cities to delay needed expansion of their water utility systems. ★

See Funding the State Water Plan on page 48 for information on how some of these needed improvements should be funded.

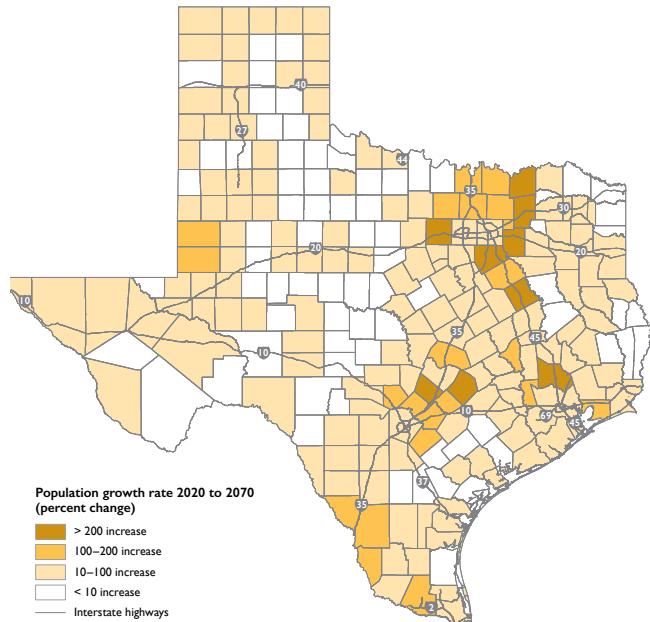
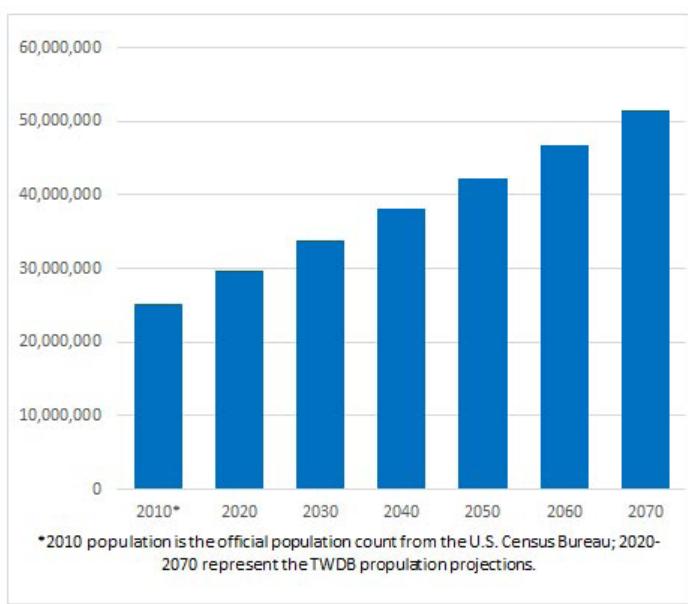
Projected annual water demand by water use category (acre-feet)



Water use category shares of projected annual water demand in 2070



Projected population growth in Texas counties



Source: Texas Water Development Board, State and Regional Population Projection for 2020-2070



WATER CONSERVATION

Although water conservation is an important issue for Texas, city officials have generally resisted the imposition of a uniform, statewide water conservation program that does not take into account the needs, financial and otherwise, of different parts of the state.

In past years, the Texas legislature enacted numerous bills related to statewide water conservation standards, including a recent requirement that cities draft, implement, and submit drought contingency and water conservation plans. The legislature also created the Water Conservation Advisory Council (WCAC) tasked with, among other responsibilities, developing numerous Best Management Practices (BMPs) (a voluntary efficiency measure intended to save a quantifiable amount of water, either directly or indirectly, when implemented within a specified timeframe). BMPs, including municipal BMPs, are available at www.twdb.texas.gov/conservation/BMPs/index.asp.

In addition, the Texas legislature, in recent years, passed bills which require the Texas Water Development Board and the Texas Commission on Environmental Quality to develop a uniform, consistent methodology and guidance for calculating water use and conservation to be used, by a

city, in developing water conservation plans and preparing certain reports required by state law. The methodology and guidance include: (1) a method of calculating total water use, including water billed and nonrevenue water used; (2) a method of calculating water use for each sector of water users; (3) a method of calculating total water use by a city in gallons per capita per day; (4) a method of classifying water users within sectors; (5) a method of calculating water use in the residential sector that includes both single-family and multifamily residences, in gallons per capita per day; (6) a method of calculating water use in the industrial, agricultural, commercial, and institutional sectors that is not dependent on a city's population; and (7) guidelines on the use of service populations by a city in developing a per-capita-based method of calculation, including guidance on the use of permanent and temporary populations in making calculations.

The resulting "Guidance and Methodology for Reporting on Water Conservation and Water Use" is intended to guide water providers through the process. This guidance is available at www.twdb.texas.gov/conservation/doc/SB181Guidance.pdf?d=4490.499999956228.

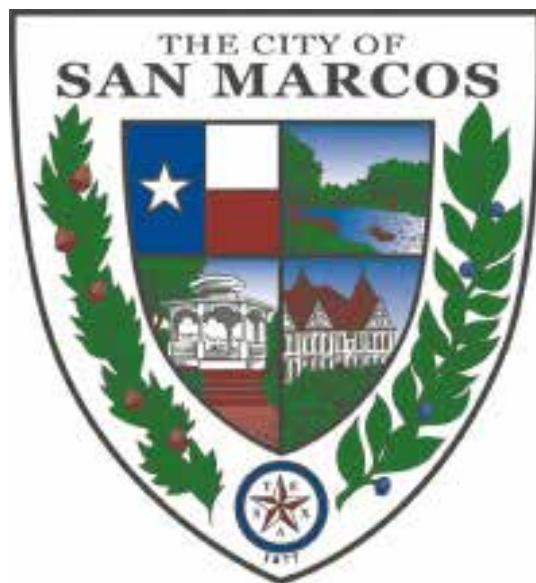
Another water conservation issue is that of mandatory water conservation rates. The legislature, in the past, proposed legislation that would take away a city's exclusive authority to set water rates within its city limits, but no such legislation has passed. As a result, the ability to set water rates within the city limits remains with each city's governing body, which comports with the Texas Municipal League's members' view that local control is best.

While water was one of the main topics of the 2013 legislative session, fewer water-related bills were filed in the 2015 legislative session, and a handful of water conservation bills were passed in the 2017 legislative session. No legislation related to water conservation was passed during the 2019 legislative session, and no interim charges relating to such were issued for study prior to the 2019 and 2021 legislative sessions.

Water restrictions, conservation education, and higher prices have played a role in Texans using less water. According to a League survey, the average monthly residential water consumption is decreasing each year (with a few outliers), averaging a total of 5,586 gallons in 2019 compared to 8,581 in 2002. Which method of addressing water shortages—restricting usage, repairing/replacing inefficient infrastructure, or scarcity pricing—is the best? Whatever a city council decides is right for its city is usually the correct method. In other words, local control is the best method.

Interestingly, one side effect of lower water use is a loss of millions of dollars in anticipated revenue to some cities. For example, the City of Wichita Falls has reported that conservation efforts have resulted in a water revenue reduction of nine million dollars from fiscal year 2012-2013 to fiscal year 2013-2014. Anticipated water revenue is generally budgeted to pay for fixed or capital infrastructure costs and in certain cases, to pay off debt, including debt issued to finance new wastewater plants or water-related projects.

Each city has a unique perspective and resulting priorities for expending resources to conserve water. Climate, population density, availability of water resources, and the ratio of industrial to residential water use in the city are a few of the various factors that affect conservation decisions across the state. Water conservation continues to be a major issue in many cities in Texas, and cities should continue implementing water conservation strategies that are appropriate for their specific community. ★



Cities offer a variety of different programs to encourage water conservation.

For example,
the City of San Marcos offers:

Tiered Water Rate System

Water rates increase as consumption increases.

Rebate/Incentive Programs

The City of San Marcos provides rebates to those customers who purchase and install qualifying water conserving items.

Irrigation System Evaluations

Free irrigation system check-ups for both residential and commercial water customers.

Indoor Water Surveys

Free indoor water surveys to customers who would like to save water and money. City staff will evaluate your home or business to make sure you are using water as efficiently as possible.

Public and School Education Programs



FUNDING THE STATE WATER PLAN

The Texas State Water Plan provides for the orderly development, management, and conservation of water resources in the state. The plan's goal is to ensure that sufficient water will be available at a reasonable cost to protect the public health, further economic development, and protect the agricultural and natural resources of the entire state.

The State Water Plan is the culmination of a regional planning process that the Texas Legislature established in 1997. Every five years, 16 planning groups — one for each regional water planning area — assess the projected population, water demands, and water supplies in their area for the next 50 years. Each planning group holds public hearings and meetings to develop its regional water plan, which lists the water supply projects needed to meet their water shortages. Once a regional water planning group adopts its regional water plan, the plan is then sent to the Texas Water Development Board (TWDB) for approval. The TWDB ultimately compiles the information to make the State Water

Plan. The most recent iteration is the 2017 State Water Plan, adopted on May 19, 2016.

The 2017 State Water Plan tells us that our population will continue its rapid growth. Texas' population is expected to increase more than 70 percent between 2020 and 2070, from 29.5 million to 51 million, with over half of this growth occurring in Regions C and H. Water demands are projected to increase less significantly, by approximately 17 percent between 2020 and 2070, from 18.4 million to 21.6 million acre-feet per year. Notably, municipal demands are anticipated to grow by the greatest total amount, from 5.2 million acre-feet per year in 2020 to 8.4 million in 2070. Steam-electric (power generation) demand is expected to increase in greater proportion than any other water use category, from 953,000 acre-feet per year in 2020 to 1.7 million in 2070. Agricultural irrigation demand is expected to decrease, from 9.4 million acre-feet per year in 2020 to about 7.8 million in 2070, due to more efficient irrigation systems, reduced groundwater supplies, and the trans-

fer of water rights from agricultural to municipal users. Manufacturing and livestock demands are expected to increase, while mining demand is expected to decline over the next 50 years.

Texas' existing water supplies — those that can already be relied on in the event of drought — are expected to decline by approximately 11 percent between 2020 and 2070, from 15.2 million to 13.6 million acre-feet per year. Water user groups face a potential water shortage of 4.8 million acre-feet per year in 2020 and 8.9 million acre-feet per year in 2070 in record drought conditions.

The 2017 State Water Plan provides a roadmap for how to address the water needs that accompany our expected growth by identifying water management strategies and their associated costs for communities all across Texas. Approximately 5,500 water management strategies recommended in the 2017 plan would provide 3.4 million acre-feet per year in additional water supplies to water user groups in 2020 and 8.5 million acre-feet per year in 2070.

The estimated capital cost to design, construct, and implement the approximately 2,500 recommended water management strategy projects by 2070 is \$62.8 billion. Water management strategies can include conservation, drought management, reservoirs, wells, water reuse, desalination plants, and others.

The information in this plan is critical to ensuring that Texas has adequate and affordable water supplies now and in the future. Without employing water management strategies, approximately one-third of Texas' population would have less than half of the municipal water supplies they will require during a drought of record in 2070. If Texas does not implement the State Water Plan, estimated annual economic losses resulting from water shortages will range from approximately \$73 billion in 2020 to \$151 billion in 2070.

For more information on the 2017 State Water Plan, as well as resources on how to get involved with your regional planning group and financial assistance for cities, visit the Texas Water Development Board at www.twdb.texas.gov. ★





THE CONNECTION BETWEEN INFRASTRUCTURE AND PROPERTY TAX LIMITATIONS

With the exception of construction, repair, and maintenance of the state highway system, infrastructure in Texas is primarily the responsibility of local governments. Streets, bridges, drinking water systems, and wastewater facilities are funded by local entities. Although some loans and very limited grant funds are available for some water projects, the fact remains that city streets, water systems, and wastewater utilities are built and maintained with city-generated revenue.

Texas cities are on their own when it comes to paying for these infrastructure projects. The paucity of state aid to Texas cities is well-documented. While most states (including virtually all of the most populous states) provide substantial financial assistance to cities to help pay for infrastructure, such grant programs generally do not exist in Texas.

In fact, it can be argued that funds flow the other way—from local entities to the state. In recent

years, the Texas Department of Transportation received almost \$100 million annually in revenue called "Local Participation" from cities alone. (Other entities provide local participation funds as well.) This is city money that helps pay for improvements to the state highway system.

Much of the local revenue that is used to fund infrastructure projects comes from the property tax. That fact raises an interesting question: if the Texas Legislature passes additional legislation that limits municipal property tax revenue, will municipal investment in infrastructure decrease?

The answer is: yes.

The evidence is in the Texas Municipal League's fiscal conditions survey. When asked which cost-cutting measures were employed to balance the current-year budgets, cities consistently identify "postponed capital spending" as the most commonly used tactic. (Please see Chart 1 below.)

Chart 1

Cost-Saving Measures

Percent of All Cities

	2013	2014	2015	2016	2017	2018	2019	2020
Hiring freeze	7.6%	4.4%	3.8%	2.9%	3.2%	4.9%	2.9%	2.1%
Wage freeze	5.9%	4.2%	3.4%	3.5%	4.5%	2.9%	2.6%	1.6%
Reduced services	3.2%	2.6%	1.3%	2.5%	2.1%	2.0%	1.3%	2.0%
Eliminated services	1.7%	1.5%	1.3%	0.6%	0.8%	1.3%	2.0%	1.6%
Reduced salaries	1.3%	0.9%	0.4%	0.4%	0.4%	0.2%	0.0%	0.0%
Laid off employees	4.5%	3.8%	3.0%	1.4%	3.2%	3.1%	1.9%	1.2%
Postponed capital spending	36.9%	29.7%	36.0%	28.7%	26.4%	24.4%	22.0%	22.2%

Similarly, when asked to identify how they would respond to diminishing revenue in future years, city officials almost always select “postpone capital spending” as the top choice. (Please see Chart 2.)

Chart 2

If Revenues Remain Constant or Diminish, What Will Cities Do?

Percent of All Cities

First Response	2012	2013	2014	2015	2016	2017	2018	2019	2020
Postpone capital spending	24.6%	24.1%	27.6%	28.5%	29.4%	23.1%	27.4%	26.8%	36.5%
Impose hiring freeze	32.7%	32.1%	26.6%	22.0%	16.4%	17.6%	18.2%	12.9%	17.3%
Increase user fees	10.6%	10.9%	10.2%	14.5%	10.5%	11.3%	13.4%	13.2%	7.2%
Raise property tax	4.2%	8.2%	7.6%	8.0%	6.6%	9.7%	7.6%	9.4%	7.6%
Impose wage freeze	9.3%	7.3%	6.7%	6.5%	5.1%	3.5%	5.1%	5.6%	10.1%

Here's the bottom line: Any legislation that would further restrict the ability of cities to generate property tax revenue will result in reduced spending on infrastructure, particularly city streets and bridges. Those spending cuts will harm regional economies and the state's economy.

Without municipal investment in the infrastructure needed for industrial and commercial activity, the state's job creation and economic growth will be severely damaged. And the most certain way to limit the construction and maintenance of infrastructure is to further restrict the growth of tax revenue. ★



THE HIGH COST OF PROVIDING PUBLIC SAFETY

Ensuring that citizens have a safe city in which to live and work is of the utmost importance to the state. Cities strive to promote the health, safety, and welfare of all their citizens. Unfortunately, providing a high level of public safety does not come cheap.

Most citizens automatically turn to government in times of need. In cities, that translates to spending tax dollars on public safety services. Of these public safety services, cities expend a considerable amount of their resources in anticipation of emergencies, occurrences that the public at large generally doesn't want to think about. Public safety includes traditional fire protection (fighting house fires), traditional police protection (patrolling streets for traffic violations and criminal activity), and responding to numerous 911 calls.

However, in today's world, "public safety" has expanded to encompass:

- responding to hurricanes and other natural disasters;
- preventing and responding to terrorist threats and attacks;
- enforcing federal homeland security mandates;

- providing emergency medical services (EMS) and ambulance services;
- providing border security;
- responding to hazardous materials issues;
- responding to pandemic disease and other public health disasters;
- participating in drug task forces; and
- conducting search and rescue operations, along with a host of other activities.

Police, fire, and EMS now must protect our homeland and be ready to respond to terrorist attacks with chemical, biological, and weapons of mass destruction. That's a tall order, considering the cost of standard public safety training and equipment.

For example, it costs approximately \$2,000 to provide basic protective equipment for a single structural firefighter. Of course, the equipment needed to enter a burning building is specialized and much more costly than the standard issue equipment. (See firefighter diagram.) In addition to the expensive equipment necessary for firefighters to safely carry out their jobs, they must also receive continuous training. This training often comes with a high price tag and must be supplemented on an ongoing basis.

TEXAS CITIES ASSIST WITH DISASTER RESPONSE AND RELIEF

Over the past several years, cities played a major role in disaster response, relief, and rebuilding efforts as various natural disasters hit Texas. According to the City of Houston, the city was responsible for \$500 million in the recovery effort after Hurricane Harvey. The city rushed to repair vital infrastructure, dedicating countless resources to restoring necessary services to citizens. The City of Galveston, hard-hit by Hurricane Ike in 2008, expended \$500 million to repair and replace housing, city buildings, and utility infrastructure, not to mention millions more to repair roads, revitalize the business community, and much more. Even though the federal government ultimately reimbursed some of these expenditures, the ability of cities to react quickly and decisively during and after a natural disaster is an invaluable service. In 2013, the City of West responded to a fertilizer plant explosion that devastated its city. The city not only paid the price of emergency response in dollars, but also lost many of its volunteer firefighters, one of which was the city secretary. Disasters like the West explosion can lead to legislation that seeks to impose additional mandates on cities, but does not provide the necessary funding.

The COVID-19 pandemic continues to emphasize Texas cities' important role during public health emergencies. In response to the pandemic, cities' police departments have been tasked with enforcing the governor's orders, including the mask mandate and business capacity limitations, as well as any local orders like curfews. The costs for public health emergencies will continue to fall on cities because urban populations are often the most affected. ★





ANNEXATION: A DANGEROUS POLICY EXPERIMENT IS UNDERWAY

On May 24, 2019, municipal annexation as it existed for over a century was over. On that date, House Bill 347 became effective. The bill requires landowner or voter approval of most annexations by any city in Texas. History shows that the state's grant of annexation power to Texas' home rule cities had always been one of our least understood and most contentious governance issues. It was also one of the most important from the perspective of how the state dealt with its massive population growth. Prior to 2019, the legislature rarely acted to broadly limit municipal annexation. Even when major reforms passed, the core authority remained largely intact. Why is that? It was because key legislators understood that cities support the state's economy through the services and growth management they provide. With the passage of House Bill 347, it is clear the legislature has lost sight of the reasons behind annexation.

According to many national authorities, the annexation power of Texas cities had been a key difference between

the flourishing cities of Texas and the declining urban areas in other parts of the nation. A 2003 report issued by The Perryman Group, a well-respected economic and financial analysis firm, predicts that overly-restrictive annexation policies will harm the Texas economy by reducing gross state product, personal income, sales, employment, and population. The Perryman report concludes that restrictions on annexation will mean that "the entire character of the Texas economy will be changed in a way which notably limits its capacity to support future growth and prosperity." If you think those numbers are exaggerated, just look at what happened to four once-great American cities that were prevented from growing. In 1950, Detroit, Baltimore, Cleveland, and St. Louis were the fifth, sixth, seventh, and eighth largest cities in the nation in population. All four of them were prevented from expanding their city limits. Sixty years later, in 2010, all four cities had about the same number of square miles they had in 1950.

Over the six decades from 1950 to 2010, Detroit suffered a population loss of 61 percent. Baltimore's population declined 35 percent. Cleveland lost 57 percent of its population and St. Louis lost 63 percent of its population. Without the ability to take in areas of growth, those cities died.

	Land Area Sq. Mi.		Population Rank		City Population		Population Change	Median household income in 2013
	1950	2010	1950	2010	1950	2010		
Detroit	140	140	5	20	1,849,568	713,777	-61%	\$26,325
Baltimore	79	81	6	24	949,708	620,961	-35%	\$41,385
Cleveland	75	78	7	48	914,808	396,815	-57%	\$26,217
St. Louis	61	62	8	61	856,796	319,294	-63%	\$34,582

In contrast to the four cities that experienced a death spiral due to annexation limitations, look at what happened in four Texas cities between 1950 and 2010 without similar restrictions on their ability to grow.

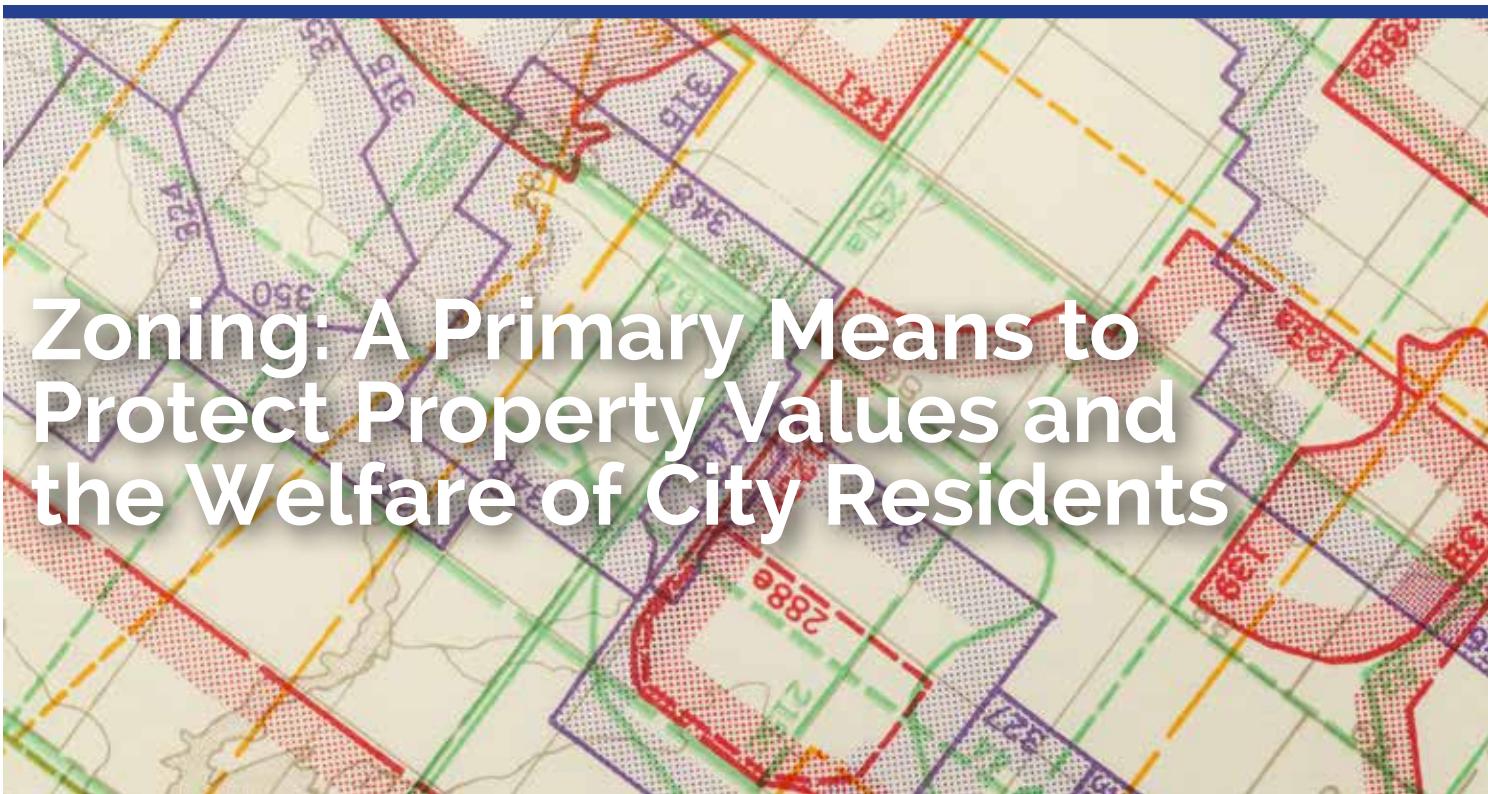
	Land Area Sq. Mi.		Population Rank		City Population		Population Change	Median household income in 2013
	1950	2010	1950	2010	1950	2010		
Houston	160	600	14	4	596,163	2,099,451	252%	\$45,010
San Antonio	70	461	25	7	408,442	1,327,407	225%	\$45,722
Dallas	112	341	22	9	434,462	1,197,816	176%	\$42,846
Austin	32	297	73	14	132,459	790,390	497%	\$53,946

Certainly other factors were at play, but it seems clear that annexation authority plays a big role in the success of a city (and therefore the state). More recently, the League commissioned a study of only southern states with similar demographics to Texas. That study found that, among a comparison set of 13 states, three key findings emerge:

1. States in which city councils decide whether to annex have seen their cities grow faster over the past 25 years, both economically and demographically, than other states that limit annexation.
2. In terms of annexation activity (as measured by change in city size), states in which city councils decide whether to annex have actually seen their cities physically grow more slowly from 1990 to 2010 than other states that limit annexation.
3. When measured by bond ratings tied to the issuance of general obligation bonds, states in which city councils decide whether to annex have better ratings than other states that limit annexation.

In short, municipal annexation had been an engine that drives the Texas economy, and turning off that engine will likely be detrimental to the state's financial future.

Why is this policy experiment of severely hampering city annexation authority particularly dangerous in Texas? Texas cities, unlike the cities of other states, don't receive general state financial assistance or state revenue-sharing. Texas is now one of the only states in the nation that denies both state financial assistance and annexation authority to its cities. Restricting annexation authority without implementing fiscal assistance programs under which the state helps cities pay for the infrastructure on which the entire state depends wasn't well-thought-out. Prior to H.B. 347, state leaders realized that annexation was a means of ensuring that residents and businesses outside a city's corporate limits who benefit from access to the city's facilities and services share the tax burden associated with constructing and maintaining those facilities and services. Now, in a state that adds 1,400 people each day to its population, it is unclear how cities will manage that incredible growth and keep the Texas miracle alive. ★



Zoning: A Primary Means to Protect Property Values and the Welfare of City Residents

What is zoning? Zoning is arguably one of the most important functions of local government. Zoning is the division of a city into districts that permit compatible land uses, such as residential, commercial, industrial, or agricultural. Zoning authority empowers a city to protect residential neighborhoods, promote economic development, and restrict hazardous land uses to appropriate areas of the city. It is used to lessen street congestion; promote safety from fires and other dangers; promote health; provide adequate light and air; prevent overcrowding of land; and facilitate the provision of adequate transportation, utilities, schools, parks, and other public facilities.

How does zoning occur? Chapter 211 of the Texas Local Government Code contains many procedural requirements that must be followed when a city zones property, including strict notice and hearing provisions. The requirements ensure that city and neighborhood residents have a strong voice anytime a zoning change is considered. In addition, Chapter 211 provides for the creation of a planning and zoning commission to make recommendations on the adoption of the original regulations, as well as to hear proposed amendments. Finally, a board of adjustment may be appointed to hear requests for variances from the regulations.

Why is there zoning? Zoning authority is often demanded by the residents of cities. Citizens, acting through neighborhood and preservation groups, generally support it wholeheartedly because zoning minimizes conflicts between land uses and maintains property values. "For example, assume a beautiful home on a half-acre lot has just been built. Six months after construction and move-in, the property owner next door decides to put in a restaurant. This means parking problems and late-night noise. Without a zoning ordinance, there may be nothing to prohibit the adjacent landowner from building the restaurant or a manufacturing facility, for that matter." Jennifer Evans, *A Citizen's Guide to Texas Zoning*, Texas A&M Real Estate Center, Report 1294 (April 1999).

Who decides zoning? "The same [zoning] ordinance that protects property from what occurs next door also limits the development of property." *Id.* This sometimes creates a conflict that is resolved through a local process. Because it is dependent on knowledge of local conditions and the needs of individual communities, the power to zone is best exercised by local officials – the level of government that is closest to the people. For example, most would agree that a person from a small town in the Texas Panhandle cannot possibly know what type of zoning is best for a large city on the Gulf Coast.

Appropriate Use of Manufactured and Modular Housing

The Texas Manufactured Housing Standards Act allows cities to regulate the location of "manufactured homes," which must meet federal construction regulations. Other state law regulates industrialized housing and buildings, and allows cities to require that "modular homes," which meet the more stringent requirements of the International Residential Code, have an appearance and value similar to nearby homes. Many cities take advantage of these provisions to protect property values and the safety of residents, while at the same time offering viable housing alternatives for lower income families. The Texas Municipal League is not opposed to this type of housing, but strongly advocates the authority of cities to retain local control over when, where, and how this type of dwelling is installed. ★

Zoning Changes and Property Values

State laws that require compensation when a property's value is affected by a zoning change are extremely rare in the United States. Rather, the United States Supreme Court and various state courts have set forth tests that are used to determine whether a zoning regulation requires compensation to a property owner.

In fact, the Supreme Court of Texas upheld a city's authority to make reasonable zoning changes. In that case, a city rezoned a residential area to provide for larger lot sizes. The rezoning was designed to create more open space, less traffic, greater setbacks, less noise, and similar results. The Court concluded that a city has a legitimate governmental interest in such results and in preserving the rate and character of community growth. The Court also found that no "taking" of the owner's property occurred, because the regulation did not impose a great economic impact on the owner.

Any legislative requirement that compensation should be paid every time a zoning change reduces the value of a property would create an untenable situation under which cities would either: (1) go bankrupt; or (2) be forced to relinquish their zoning power. Moreover, the reality is that most zoning changes are initiated by a property owner and *increase* the value of land.

Why Zoning Matters

A 2008 survey found that the three main things that "attached" people to their communities were: (1) social offerings, such as entertainment venues and places to meet; (2) openness (how welcoming a place is); and (3) the area's aesthetics (physical beauty and green spaces). Zoning facilitates each of those attributes by working to create and maintain healthy, attractive, livable, and prosperous communities.

Zoning Is Linked to Economic Development

A 2006 study on the effect of zoning on economic development in rural areas concluded that zoning facilitated, rather than impeded, economic development. The authors summarized the benefits of zoning to include: (1) predictability in land use for both business and residents; (2) the assurance that personal and commercial investments will be protected; (3) the ability to guide future development and prevent haphazard, harmful, or unwanted development; and (4) the minimization of potential conflict between industry and residents.

Zoning Is Linked to Tourism

Tourism generates billions of dollars in Texas. In discussing the role that a community's image plays in tourism one author explains that the more communities "come to look and feel just like everyplace else, the less reason there is to visit. On the other hand, the more a community does to enhance its uniqueness, the more people will want to visit. This is the reason why local land use planning and urban design standards are so important."

Sources: Gallup & John S. and James L. Knight Foundation, *Soul of the Community Survey* (2008), available at: <https://knightfoundation.org/sotc>.

Joy Wilkins et al., *Does Rural Land-use Planning and Zoning Enhance Local Economic Development?*, Economic Development Journal (Fall 2006), available at <https://www.iedconline.org/web-pages/resources-publications/economic-development-journal-fall-2006>.

Edward T. McMahon, *Responsible Tourism: How to Preserve the Goose that Lays the Golden Egg*, Virginia Town & City, 9 (May 2015), available at: <https://www.vml.org/vol-50-no-4-may-2015>.



KEEPING THE POWER ON: CITIES AND ELECTRICITY

Cities have various interests relating to how they and their citizens get electric service, how cities with municipally-owned electric utilities provide service, and the prices that everyone pays for electricity. Cities also receive franchise fees from utilities that use their rights-of-way, and they have original jurisdiction over the rates of investor owned utilities in their cities.

How electricity is provided in Texas is complex and based on many moving parts in an always-changing puzzle. The following questions and answers provide a "primer" on the issues facing cities in this area.

Note: See the section in this magazine issue titled "Cities Refuse to Accept Utility Rate Hikes Without a Fight" to learn more about how cities without their own electric utility keep rates reasonable for their citizens.

What are the different ways that cities and their citizens get their electricity?

Cities and their citizens generally get their electricity in one of three ways: (1) from a municipally-owned utility (MOU); (2) from an investor-owned utility (IOU); or (3) from a rural electric cooperative (Coop). Each of those providers usually has a monopoly in the areas they serve, based on a certificate from the Texas Public Utility Commission (PUC). (Note: a few areas of the state are served by river authorities and municipal power agencies. Also, with regard to an IOU, only the transmission and distribution component discussed below has a geographical monopoly in the deregulated market.)

After deregulation, MOUs and Coops retain that monopoly status, unless they choose—by a vote of their governing body—to adopt customer choice. The reasons for allowing MOUs and Coops discretion to retain their monopoly status are many, but one of the most important is that MOU and Coop rates are governed by a city council or board of directors—the members of which are elected by the customers. The city council or board of directors is therefore directly accountable to the customers they serve.

IOUs are also governed by a board of directors, but they are accountable to their shareholders, rather than their customers. The rates of investor-owned transmission and distribution utility (discussed below) are regulated by the PUC in a way that should—in theory—cover costs of operation and allow for a reasonable profit.

What is electric deregulation, and why should city officials care?

In 1999, legislation was enacted to deregulate the portion of the state that is served by IOUs. MOUs and Coops are given the option to participate in the deregulated market by "opting in" to competition. However, to date no MOU has opted in.

Prior to deregulation being fully implemented in 2002, a single IOU performed all of the things necessary to provide service to customers within its designated service area. In simple terms, the legislation "broke up" or "unbundled" IOU monopolies. Those utilities were divided up into different components: generation, transmission and distribution, and retail service. Some utilities sold one or two of those parts of their business, while others created subsidiary companies to run them.

Generation companies make the power with power plants, wind farms, and other means. Transmission and distribution companies move the power from the generators to other parts of the state with huge transmission lines, and ultimately distribute it to the customers through smaller distribution lines.

While the generation and retail portions of the market are now deregulated, the rates of transmission and distribution utilities are still regulated by cities and the PUC. That is necessary because the companies that generate power must have a reliable way to get that power to the retail companies that actually sell the power to customers.

The numerous retail companies essentially speculate how much generation will cost them. They then offer price plans to consumers accordingly. They are the ones with which customers in a deregulated area interact. Customers can switch retail companies to try to get the best possible rate.

Certain areas of the state—including the Panhandle, El Paso, and certain areas in the northeast and southeast portions of the state—are served by IOUs, but have not been deregulated. Those areas are not a part of the main transmission grid in Texas, so deregulation is impractical.

Whether deregulation has been beneficial to cities and their citizens remains the subject of heated debate. One thing is certain: deregulation has changed the way cities in the deregulated market purchase power for city facilities. One of the ways cities and other political subdivisions do that is by a process called aggregation. Aggregation means just what it says: cities join together or “aggregate” to purchase energy at a better price than they could obtain themselves. (Note: state law also authorizes citizens to aggregate, but the logistics of that process have made it all but useless. Previous legislative efforts to allow cities to automatically bundle-up their citizens and negotiate on the citizens’ behalf have failed.) The most well-known aggregation group is called the Texas Coalition for Affordable Power, which represents more than 100 cities.

Why aren't MOUs opting into the deregulated market?

Even though they are not required to do so, MOUs have the discretion to opt in to the deregulated market. Many state leaders continue to applaud the Texas deregulated market as one that has created lower prices. That is questionable for a number of reasons. It would also appear

that MOUs aren't convinced, and that their citizens prefer the consistently lower prices and better service that they provide. It's a case of “if it ain't broke, don't fix it.” MOUs can wait and see if opting into deregulation would really benefit their customers. Also, an MOU that opts in is essentially stuck with that decision. Further, opting into competition would require an MOU to undertake the complex and expensive process of breaking up its service into the three components of the deregulated market (generation, transmission and distribution, and retail).

What are recent criticisms levied against MOUs?

Some MOUs have been recently criticized for transferring some of their profits to the city's general fund. Interestingly, even larger cities that transfer large amounts of revenue have electric rates that are comparable to, or lower than, IOUs serving the deregulated market.

In addition, cities may or may not charge their MOUs franchise fees for the use of the city's rights-of-way. Thus, the transfer is often analogous to a franchise payment that the city would receive from an IOU that uses the city's rights-of-way. In any case, it is currently up to each city's council to decide how to handle transfers. Another way to look at transfers is that they are very similar to the return on investment that IOUs give back to their shareholders. But in the case of an MOU, the “shareholders” are the taxpayers of the city. Transferred revenue is used to pay for services (police, fire, EMS, and streets) that are used by the customers of the MOU. The transferred revenue is used to keep property tax rates low, which benefits the taxpayers served by the MOU.

What are electric franchise fees?

Electric franchise fees are fees paid by IOUs or Coops (and in some cases, MOUs that provide service in other cities) that use a city's rights-of-way to provide service. Some argue that franchise fees of any type are a “hidden tax” on utility service. Of course, the municipal position is that the fees are authorized by state law. In fact, the Texas Constitution prohibits a city from giving away anything of value (for example, the use of city property) to a private entity. Thus, the city position is that the fees are nothing more than “rental” payments for the use of city property. ★



CITIES REFUSE TO ACCEPT UTILITY RATE HIKES WITHOUT A FIGHT

Texas cities have a long history of participation in the ratemaking process for both gas and electric utilities in the State of Texas. Prior to the enactment of the Public Utility Regulatory Act (PURA) in 1975 and the Gas Utility Regulatory Act (GURA) in 1983, utility rates were set exclusively at the city level, with any appeals of municipal rate ordinances decided in the courts.

Currently, under PURA and GURA, cities have original jurisdiction over the utility rates within their city limits. This means that the Railroad Commission (RRC) and the Public Utility Commission (PUC) have original jurisdiction over gas and electric rates in service areas outside city limits and also within the city limits of those cities that have ceded their original jurisdiction to the agency. In addition, the PUC and RRC have appellate jurisdiction over rate ordinances and orders of cities concerning electric and gas utility service within a city's limits.

Recognizing the important role that cities play in the regulation of utilities, hundreds of cities across the state participate in ratemaking proceedings at both the PUC and RRC in order to ensure fair, just, and reasonable rates, as well as adequate and efficient services for the city and its residents.

Historically, cities have formed coalitions to represent the collective interests of cities and their citizens before the reg-

ulatory agencies and courts. By forming coalitions, cities have been able to present a strong voice for consumers for more than 30 years. This has served to reduce the costs that cities and their residents pay for electric and gas service. Cities' active participation in rate cases demonstrates their concern for reliability, quality of service, and the prices their citizens pay for gas and electricity. In numerous instances, without city participation, rate increases would have gone into effect without any party scrutinizing the utility's application.

Both PURA and GURA allow cities to be reimbursed by the utility company for their reasonable rate case expenses associated with participation in ratemaking proceedings. In providing for the reimbursement of rate case expenses in the statutes, the Texas Legislature has acknowledged the important role that cities play in protecting citizens from unreasonable utility costs. Because utility companies ultimately pass these expenses on to consumers, cities are always cost-conscious. Cities must balance the cost of participation in a ratemaking proceeding against the need to protect their residents' interests. In prior cases, however, municipal participation has resulted in a net savings for ratepayers because the utility's rate increase was reduced by an amount far in excess of the expenses incurred by the cities. Cities' participation in utility ratemaking proceedings has proven time and again to be a good value for consumers. ★

City coalitions have found expenses like these, which utilities tried to pass on to customers:

- Hotel expenses of nearly \$1,000 per night for executives to stay at a New York City hotel
- Tens of thousands of dollars' worth of art for the utility's office
- Dinners in New York City, Dallas, and Philadelphia restaurants costing more than \$200 per person
- More than \$1.5 million in employee "financial incentives"

A private, investor-owned utility is allowed to incur expenses like those listed above, but the company itself (i.e. its shareholders), not the utility customers it serves, should pay for those costs. It's unreasonable to ask to raise customer rates to cover these kinds of expenses, and cities are the first line of defense against such requests.



THRIVING LIBRARIES REFLECT THRIVING CITIES

"Libraries allow children to ask questions about the world and find the answers. And the wonderful thing is that once a child learns to use a library, the doors to learning are always open."

Laura Bush

The Texas State Library and Archives Commission's (TSLAC) Current Library Directory lists 550 public libraries and 340 branches and bookmobiles in Texas. Taxpayers consistently give public libraries – both city and county – a high rank among community services.

Libraries impact the local economy and workforce development. In a 2008 public opinion survey, conducted on behalf of

the Texas Library Association (TLA), 83 percent of Texas voters believed that public libraries support the economy through job skills training, career and job information, and resources for local businesses. A recent study conducted for the TSLAC documented various specific examples of libraries (1) enabling businesses and self-employed individuals to improve their economic activities; (2) assisting individuals to obtain employment; and (3) providing

educational and occupational programs that meet the needs of Texas communities and regions. Additionally, some businesses—particularly those requiring a highly skilled workforce—look to the city's library as a barometer of local commitment to workforce readiness.

Libraries impact literacy and education. Public library patrons include preschoolers, afterschoolers, homeschoolers, distance learners, and researchers. Through story time hours, reading programs, ESL classes, and other local services, libraries represent the public's bridge to structured educational campuses. The 2008 TLA public opinion poll found that Texas voters were nearly unanimous in their belief that public libraries create educational opportunities for all citizens (97 percent agreed).

Libraries impact communities. Communities value their city libraries as centers of information and learning and a gathering point for ideas and discussion. The 2008 TLA public opinion survey found that 95 percent of Texas voters believed that public libraries improve the quality of life in their community. Approximately 75 percent of public libraries serve communities smaller than 25,000 in population. In small Texas cities, the library may be the only community gathering place.

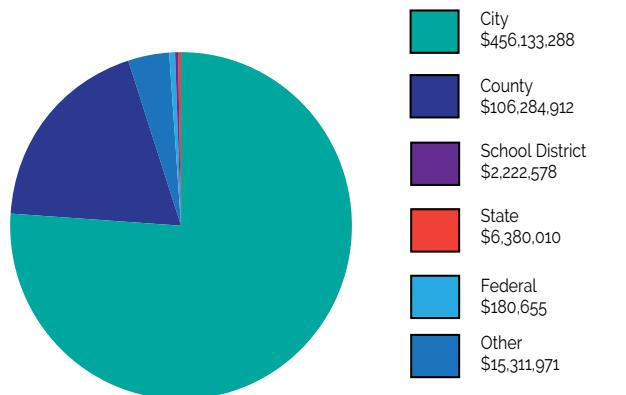
As shown in the accompanying chart, cities are the largest source of income for public libraries in Texas. ★

Did you know Americans are happier in states that spend more on "public goods" such as libraries?

In a study published in 2019 in the journal *Social Science Research*, Dr. Patrick Flavin of Baylor University found that Americans are happier in states where governments spend more on things that you can't exclude people from using ("public goods"). He found another benefit of spending money on public goods is that such amenities generally boost home values.

Baylor University. "Americans are happier in states that spend more on libraries, parks and highways: Such 'public goods' also are less likely to spark political conflict." ScienceDaily. ScienceDaily, 7 January 2019. www.sciencedaily.com/releases/2019/01/190107075713.htm

Texas Public Libraries: 2019 Revenue by Source



Source: Texas State Library and Archives Commission, Texas Public Library Statistics, Statewide Comparison Statistics: 1997 to 2019

Texas Public Libraries: A Great Investment

A study found that, in 2015, Texas public libraries collectively provided \$2.628 billion in economic benefits while costing \$566 million. That is a return of \$4.64 for each dollar invested. This chart from the study shows how Texas compares to some other cities, counties, and states:

JURISDICTION	YEAR	RETURN ON THE DOLLAR
STATES		
Minnesota	FY2010	\$4.62
COUNTIES		
Salt Lake County, UT	2012	\$5.47-\$6.07
Santa Clara County, CA	2012	\$2.50-\$5.17
Toledo Lucas County, OH	2015	\$3.87
CITIES		
Toronto	2012	\$4.63
TEXAS		
	FY2015	\$4.64

Table 4.2. Return on Investment in Recent Reports
 Texas voters get it! In a 2008 public opinion survey, 94 percent of Texas voters agreed that public libraries are a good value for the tax dollar.

Sources: Jan. 2017, Texas Public Libraries: Economic Benefits and Return on Investment, Prepared for TSLAC by Bureau of Business Research, IC2 Institute, Univ. of Tex. at Austin.

Fall 2008, KRC Public Opinion Survey conducted on behalf of the Texas Library Association



TEXANS KEEP HEALTHY IN CITY PARKS

City parks are the front line in the battle of the bulge, and they help keep Texans feeling their best at home and while away. Texas cities face obstacles in promoting fitness, such as extreme weather, modern lifestyles, and funding challenges. In 2018, WalletHub included several Texas cities on the nation's fattest cities list. The magazine ranked the nation's 100 largest cities by considering various factors—such percentage of obese adults, availability of parks and recreation facilities, fruit and vegetable consumption, and high cholesterol percentages—when ranking city health and fitness.

Texas cities provide programs that improve the quality of life for individual participants and the overall community. All Texans, including youth and seniors, benefit from the opportunity to increase their health and reduce stress. Opportunities to build partnerships, enhance diversity, and learn tolerance through teamwork strengthen communities.

Several studies emphasize the importance of park access. Youth with access to places for physical activity are less likely to be overweight or obese, and individuals who live closer to parks use them more frequently than those who

live farther away. Further, evidence also suggests that using recreation facilities and parks may lead to healthy lifestyle choices such as alternative modes of transport like biking or walking.

According to the American Planning Association, there is evidence that when cities provide parks, it can make communities safer. City parks encourage youth to step away from their televisions and computer games for real social interaction while playing basketball, softball, soccer, gymnastics, or simply enjoying sunshine and wildflowers.

City parks provide outdoor recreation resources such as pools, softball fields, and Frisbee golf courses. Cities also provide indoor recreation activities for sports, arts, and nature programs. While most cities have hiking trails, some cities are investing in new interests such as dog parks and skate parks. Many cities even provide classes to encourage hobbies and various self-help classes such as income tax and language skills. ★

The Texas Economy Keeps Healthy in Local Parks – Figures from 2015

- \$280.90 in economic activity was generated per person due to parks and recreation (24th in the United States).
- Local parks across the state supported 60,176 jobs (3rd in the United States).
- By adding the effects of operations and maintenance, capital spending, and tourism, a total gross impact can be derived. Across the state, the total impact of local parks leads to an addition to business activity including \$7.715 billion in economic activity (3rd in the United States).
- The labor income to the state from local parks activity is approximately \$2.9 billion per year (3rd in the United States).

Source: National Park and Recreation Association

The Role of Parks During the Pandemic

Parks and trails have always been a place for enjoyment and relaxation. However, the pandemic has highlighted their essential role in supporting physical and mental health.

The Centers for Disease Control and Prevention has flagged mental health as a top concern associated with the COVID-19 outbreak. Parks provide a connection to the outdoors and green space as well as opportunities for physical activity which studies demonstrate reduces stress and improves mental health. In fact, the shelter-in-place orders issued by Governor Greg Abbott early in the pandemic listed "visiting parks, hunting or fishing, or engaging in physical activity like jogging or bicycling" as essential daily activities, meaning that people were not prohibited from engaging in these activities (so long as facilities were open and safety precautions were followed).

Whether local, state, or national parks, there has been a premium on open spaces where people can recreate safely while maintaining distance from those outside of their immediate household. More than 190 million people in the United States went to parks, trails, or open space during the first three months of the pandemic. In May 2020, two in three park and recreation leaders reported increased usage of their agency's parks compared to the same time last year (with a median rise of 25 percent), while more than 80 percent report increased usage of their trails (with a median rise of 35 percent).

Sources: Joint Statement on Using Parks and Open Space While Maintaining Physical Distancing (March 18, 2020); 2020 NPRA Engagement with Parks Report; NPRA Parks Snapshot May 2020

INVESTING IN TOMORROW'S LEADERS: CITY GOVERNMENTS INVOLVE YOUTH



Many Texas cities have created special programs to engage and involve youth. These programs can take many different forms—from presentations at local schools, to special recognition programs; mentoring or internship programs, to formal youth advisory commissions. At the heart of these programs is a desire to educate youth on the mechanics of city government, provide an outlet for youth to voice their ideas and concerns, and make sure that the city is nurturing their future leaders.

Some of the most comprehensive youth programs are formal youth advisory commissions (YACs). YACs are often

authorized by city ordinance; have a well-defined mission statement, bylaws, and application process; and meet regularly. YAC commissioners participate in community service projects, provide input to city staff and elected officials on city policy matters, develop and organize youth activities, and serve as role models to their peers.

City officials know that, whatever the format, developing relationships with the city's youth is an investment in tomorrow's leaders and in the city's future. ★

PENSION FUND

THE TEXAS MUNICIPAL RETIREMENT SYSTEM: PROVEN SUCCESS



Many states around the country are faced with huge deficits in public worker pension plans. That has prompted lawmakers in those states to seek large-scale reforms in their retirement systems. Over the last few years, many states have undertaken major efforts to address those deficits by converting public pensions from defined benefit to defined contribution plans, which are similar to a 401(k). As those funding crises across the country continue, the drumbeat for "reform" in Texas pensions will continue to grow louder.

In Texas, the Texas Municipal Retirement System (TMRS) is responsible for the administration of a majority of city retirement plans covering both public safety and civilian city employees. The system is made up of 888 member cities, 180,000 contributing members, and 70,000 annuitants.

TMRS has taken great strides in recent sessions to make improvements in the system that provide retirement benefits

to a majority of Texas city employees. The reforms have stabilized benefits and lowered city contribution rates, while ultimately using fewer tax dollars to fund pensions. They will also require training by pension system employees.

There are numerous reasons why TMRS has been so successful. TMRS relies on an advisory board of 12 members, including TMRS retirees, elected officials, pension experts, as well as representatives from both labor and employer groups. This advisory group thoroughly vets all legislative proposals while moving forward only with those that have consensus. The unified front during session provides for easy passage of the needed reforms.

TMRS has proven to be a well-funded model for pensions around the country. It should not be included in discussion about other, improperly funded pensions. ★

ADVOCACY IS VITAL



The Texas 87th Legislative Session began on January 12, 2021. Before, during, and after the session, League staff works directly with legislators on items of municipal interest. However, our influence is directly affected by your city's efforts to be heard. Help your city plan an active and consistent role in the League's legislative effort.

Stay Well Informed

The League provides several ways for members to stay informed about legislative issues. The *Legislative Update* is the primary legislative communication between the League and its members. It is sent electronically as part of the *TML Exchange* email to member city officials on Fridays.

The legislative portion of the League website (www.tml.org; click on "Policy" and then "Legislative Information") is another important information source. There you will find a link to the current issue of the *Legislative Update* newsletter, as well as an index to past issues of the newsletter, summaries of legislative hot topics, and the League's legislative program.

The 2021 legislative session will address many issues that will involve Texas cities and their ability to meet citizen demands for services. The League's best advocates for protection of municipal authority are its members—elected and appointed officials from cities of all sizes and geographic areas. TML needs your participation.

Contact Legislators Early and Often

Your legislators need to hear from you, or they're forced to make decisions on local government issues without fully appreciating the impact they will have on cities in their district. Meet formally at least once a year prior to the session to review key issues. Ask if phone calls, emails, letters, or personal contact works best for them during the session. Encourage your legislators to work with League staff, too.

Keep the League Informed

The League advocacy team includes Director of Grassroots and Legislative Services Monty Wynn, Legislative Counsel Bill Longley, Grassroots and Legislative Services Manager JJ Rocha, and **you**. Always send copies of your correspondence to and from legislators to the League. League staff can work more effectively with your legislators when we know what you've said and received in return. It also allows us to incorporate your local circumstances into our commentary. Emails can be forwarded to legislative@tml.org.

Stick to It

It's a fact of life in public policy that things take time. Your consistent participation in the legislative process is essential to long-term success. ★

The League Leads Advocacy Efforts.

One of the primary functions of the League is to unify cities and speak as the voice for city government in Texas. Each legislative session, the League staff works with city officials to educate state legislators about the needs of Texas cities.



Calendar of 2021 Legislative Session

January 12

First day of 87th Regular Session

May 6

TML Webinar—Legislative Status Report #3 *

January 14

TML Webinar - Legislative Preview *

May 31

Last day of 87th Regular Session

March 11

TML Webinar - Legislative Status Report #1 *

June 21

Onsite Workshop—Legislative Wrap-Up—Austin *

March 12

Deadline for filing bills

* Register your city to participate in these essential updates on key legislative actions at <https://tmllegislativeseries.org>.

April 8

TML Webinar—Legislative Status Report #2 *

ABOUT



Empowering Texas cities to serve their citizens

Whether you are a city government novice or veteran, the Texas Municipal League (TML) has the resources, tools, and training to help you succeed in your leadership role.

Since its formation in 1913 by 14 cities, the League's mission has remained constant – to serve the needs and advocate the interests of its member cities.

Today, TML serves more than 1,150 member cities. That means about 16,000 mayors, councilmembers, city managers, city attorneys, and city department heads are member officials through their cities' participation.

How Is TML Organized?

TML has 15 regions that were formed in 1958 and are the League's grassroots. Regions work to foster the exchange of information among cities and help the TML Board of Directors develop policy that represents the state's diverse interests. Each region elects officers, including a representative who serves on the TML Board, and conducts meetings at least twice each year.

The League also has 21 affiliate organizations that represent specific professional disciplines in municipal government. For example, the Texas City Management Association (TCMA) is the professional association for city managers in Texas. TCMA is its own association, as well as a TML affiliate with a representative on the TML Board. Each affiliate group has its own membership criteria and dues structure that is separate from the League's.

TML is governed by a board of directors composed of a representative from each of the 15 regions, a representative from each of the 21 affiliate organizations, eight at-large directors (one from each of the state's largest cities), past TML presidents still in municipal office, a president and a president-elect, and two ex officio directors from the TML health and risk pools.

The Board appoints an executive director to manage the affairs of the League under the Board's general direction. Bennett Sandlin is the current executive director and has been serving in this role since October 2010.

TML employs a staff of 32 full-time employees and has seven departments: Administrative Services, Affiliate Services, Business Development, Communications and Training, Grassroots and Legislative Services, and Member Services.

What Does TML Do?

Legislative Advocacy

One of the principle purposes of the League is to advance and represent the interests of Texas cities at the state and federal levels.

The Texas Legislature meets for 140 days each odd-numbered year and meets frequently in special "called" sessions. There are hundreds of bills that adversely impact cities among the thousands of bills introduced each legislative session. Most would erode the authority of Texas cities to govern their own affairs or impose mandates that do not provide a commensurate level of compensation.

The League makes every effort to assure that bad-for-city bills are defeated and bills that help cities operate more effectively are passed.

Through the years, thousands of proposals that would have undermined city government have been defeated. The League's legislative track record is one of unparalleled success.

Policy Development Process

Protecting the interest of Texas cities during each legislative session requires considerable planning to establish legislative priorities. While the TML legislative philosophy is based on protecting the ability of cities to govern their own local affairs, positions must be taken on dozens of issues that affect cities.

The process of adopting positions on legislation begins a full year before the regular legislative session convenes. In non-legislative years, the TML president appoints delegates to a two-day Legislative Policy Summit, where attendees deliberate and make policy recommendations.

The final report of the policy summit and any resolutions submitted by the general membership are then considered by the TML general membership at the annual business meeting held during the annual conference. Finally, the TML Board adopts a legislative program based on these approved resolutions.

The League uses this process to determine which issues are most important to Texas cities and how best to allocate its legislative resources.

Legal Services

The League employs full-time attorneys who are available to provide legal information on municipal issues to member cities, as well as example documents to assist cities in drafting ordinances and other required legal notices. The legal staff provides cities with information on

changes in federal and state laws and regulations, as well as city-related developments in the courts. During legislative sessions, the legal staff is frequently called on to provide testimony to legislative committees on a variety of city issues.

In addition, the legal staff is available to deliver workshops on a variety of legal subjects to small cities' problem-solving clinics, affiliate organizations, and regional groups.

Information and Research

One of the main reasons that TML was formed back in 1913 was to provide information to member cities. Today, this remains an important service. TML staff has information on virtually every topic affecting Texas cities and can be reached by email, telephone, or regular mail.

The League offers several publications, most notably *Texas Town & City* magazine, *Legislative Update*, and the *Handbook for Mayors and Councilmembers*, to keep members informed on emerging municipal issues. In addition, the League provides issue papers on a variety of municipal issues and maintains research files that facilitate services to member officials.

TML also sends out several annual surveys that collect information on salaries, water and wastewater rates, taxation and debt levels, and general fiscal conditions.

Conferences and Training

TML conducts a variety of conferences, workshops, and webinars to enhance the knowledge and skills of municipal officials.

The TML Annual Conference and Exhibition is one of the nation's larg-

est gatherings of city officials. The 2021 Annual Conference will be held October 6-8 in Houston. In addition to keynote sessions, workshops, and the annual business meeting, the conference features an impressive exhibit hall with more than 350 companies representing products and services that benefit Texas cities.

The League also offers training opportunities designed specifically for elected officials. The Elected Officials' Conference, co-hosted by TML and the Texas Association of Mayors, Councilmembers and Commissioners, will be held in San Antonio on March 17-19, 2021 (circumstances allowing). This event focuses on key issues for newly elected and veteran city officials on topics like economic development, media relations, infrastructure, citizen engagement, revenue sources, government trends, and leadership.

In addition, TML holds several Newly Elected City Officials' Orientations each year. The 2021 summer orientations will be held July 29-30 in San Antonio and August 12-13 in Bastrop. A winter workshop will take place in January 2022. These events offer training on the basics of serving on the governing body, and provide an overview on city regulation, financial oversight responsibilities, ethical governance, council-staff relations, economic development, the Texas Open Meetings Act, and more.

TML conducts other timely workshops and webinars for both elected and appointed officials throughout the year, including the Economic Development Conference, Public Funds Investment Act Training, Budget and Tax Rate Workshops, Leadership Academy, Small Cities' Problem-Solving Clinics, and the

TML AFFILIATES

American Planning Association Texas Chapter (APATX)
Association of Hispanic Municipal Officials (AHMO)
Building Officials Association of Texas (BOAT)
Government Finance Officers Association of Texas (GFOAT)
Texas Association of Black City Council Members (TABCCM)
Texas Association of Governmental Information Technology Managers (TAGITM)
Texas Association of Mayors, Councilmembers and Commissioners (TAMCC)
Texas Association of Municipal Health Officials (TAMHO)
Texas Association of Municipal Information Officers (TAMIO)
Texas Chapter of American Public Works Association (Texas Chapter of APWA)
Texas City Attorneys Association (TCAA)
Texas City Management Association (TCMA)
Texas Court Clerks Association (TCCA)
Texas Fire Chiefs Association (TFCA)
Texas Municipal Clerks Association, Inc. (TMCA)
Texas Municipal Human Resources Association (TMHRA)
Texas Municipal Library Directors Association (TMLDA)
Texas Municipal Utilities Association (TMUA)
Texas Police Chiefs Association (TPCA)
Texas Public Purchasing Association (TxPPA)
Texas Recreation and Park Society (TRAPS)

TML REGIONS

Region 2 Amarillo Area
Region 3 Caprock – Lubbock Area
Region 4 Permian Basin Region – Odessa Area
Region 5 Red River Valley – Wichita Falls Area
Region 6 Hub of Texas – Abilene Area
Region 7 Alamo Region – San Antonio Area
Region 8 Where the West Begins – Fort Worth Area
Region 9 Heart of Texas Region – Waco Area
Region 10 Highland Lakes Region – Austin Area
Region 11 Coastal Bend Region – Corpus Christi Area
Region 12 Lower Rio Grande Valley – Rio Grande Valley Area
Region 13 North Central Texas Region – Dallas Area
Region 14 San Jacinto Region – Houston Area
Region 15 Tyler-Longview Area
Region 16 Golden Pine and Oil Region – Beaumont-Lufkin Area

Legislative Series.

Federal Representation

Through its membership in the National League of Cities, the Southern Municipal Conference, and other similar organizations, TML has a voice in Washington, D.C. working with these groups to ensure that Texas cities are heard in congressional offices and in the headquarters of various federal agencies.

Business Development

Working through the League's Business Development Department, TML connects cities with products, services, and solutions offered by the private sector. Engaging the participation of event sponsors, exhibitors, and advertisers, also helps TML provide essential and affordable programs and services to member city officials.

Health and Risk Pools

For more than 40 years, the TML health and risk pools have provided Texas cities with quality coverage specifically designed to meet municipal needs. These pools are separate entities, but maintain a close working relationship with TML.

Benefit coverage for municipal employees and their families has become a major expense item in virtually every city budget. Cities throughout the state are holding the line on these costs by participating in the TML Health Benefits Pool (TML Health).

The TML Intergovernmental Risk Pool (TMLIRP) works to reduce the cost of property and casualty risks in Texas cities. In addition to providing a stable risk financing system, the TMLIRP offers education to its members to avoid and reduce risks, control losses, and stay informed on other aspects of risk management.

The League Today

TML is committed to helping city leaders in Texas meet today's governing challenges. The League prides itself on 108 years of service to Texas cities, and looks forward to providing the resources, knowledge, and advocacy to support city officials into the future. ★

EVERY CRISIS BRINGS OPPORTUNITIES

By **Mary Kelly**, PhD, CSP, CDR, U.S. Navy (ret), Leadership Speaker and Author

During every crisis, there are always opportunities. Most of those opportunities can be found in one of five buckets.

People – With a sizeable number of people currently unemployed in the United States, now is a great time to hire the right talent, adequately train them, develop them for future opportunities, and ultimately, plan on promoting them. For most organizations, people are our number one asset.

Training – It is difficult to think about spending money on training when every expenditure is being closely examined. However, especially in this new environment, people need quality training to stay current in their field and continue to do great work. Ideally, training should be interesting, engaging, helpful, timely, and focused on helping people develop personally and professionally. During times of crisis, training is often one of the first budget cuts. As of this writing, many major airlines are trying to decide whether or not they furlough pilots. The problem with laying people off is that there is no guarantee you'll get them back. In the case of an airline, bringing a pilot back involves a whole series of trainings. It is time intensive for the staff and there are only certain available simulators. Not keeping up with quality training may be more expensive in the long run.

Process Improvement – During times of crisis, we have to make sure that we are looking hard at every step of what it is we do. The United States had such good economic progress over the past 10 years that it allowed some businesses to be complacent. Companies were stuck in status quo because status quo was frankly, pretty darn good. But now, every business is being critically examined. We have to look at how we can be more effective, more efficient, and more responsive to our partners, suppliers, and customers.

Asking questions like:

- What do we need to stop doing because it doesn't really matter?

- What can we simplify or streamline?
- What part of our strategy needs to change so that we are maximizing our people's time and our resources?

Resources – In every recession, leaders have to carefully look at their available resources and make tough decisions. Resources are generally defined as land, labor, capital, human capital, and entrepreneurship.

Some leaders have had to make the difficult decision to furlough quality workers simply because business is down. Making tough decisions is part of a leader's job, but the complexity is compounded by the vast amount of uncertainty. Leaders have to look at available resources and think about where they realign, reallocate, redesign, repurpose, or retool what is available.

Technology – Winston Churchill once said, "never let a good crisis go to waste." Tough times are also times of innovation, technological advancement, and developing new skill sets. This is a time of forced acceleration and implementation of technology. Leaders need to look at what they can automate, innovate, or create that will make them unique and give them a competitive advantage.

How can leaders stay focused and strategic when they are also having to support other team members, be responsive to their customers, and care for their families?

1. Prioritize what needs to be done and identify the problems that have to be solved first.
2. Break down large tasks. People need quicker wins, so making jobs seem easier will give people a sense of accomplishment.
3. Praise people for their efforts. Reward results.
4. Keep people accountable by creating deadlines and reminding people of those due dates.
5. Clarify roles and responsibilities so that people are not confused on what they need to do to be successful.
6. Communicate more than you think the team needs. During times of stress, people don't always hear or read everything. Communicate, communicate, and communicate more. Keep a positive attitude! The attitude of a leader is contagious, so stay positive and focus on the future.

Leadership is important. Now more than ever. ★

Commander/Doctor Mary Kelly is leadership advisor and strategist. Mary is found at Mary@ProductiveLeaders.com.

INSTAGRAM HIGHLIGHTS ★ CELEBRATING CITIES



@beltonxtparks

This past year has been a challenging one for our department. One thing that has remained unchanged is our commitment to maintaining exceptional parks and trails for our community. More than ever, residents need parks and trails for the sake of their mental and physical health. We encourage all of you to take advantage of the respite that a visit to a park can provide.

**#beltonx #lovemybelton #mytexascity
#citiesprovide**

**#MyTexasCity
#CitiesProvide**



@tml_texas

SHOWCASE YOUR CITY

Do you want to see your city highlighted here? It's easy! You can get involved and share photos a few different ways!

- Tag us on Instagram @TML_Texas
- Use the hashtags #MyTexasCity and #CitiesProvide

@visitcctexas

We're thankful for our local art community and the public art found all around the city. What's your go-to mural to snap a pic in front of in Corpus Christi?

Photo credit: **@a_sirio**
Artist credit: **@thedaskone**



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