



A sustainable approach to our environment & quality of life - for current & future generations

**Comments at Utilities Rate Hearing 11/16/05
SaveTheSprings Founder & Chair Dave Gardner**

CSU PROPOSED 2006 BUDGET & RATES

In beating #1 this morning it sounded like you have the impression I'm against economic development. I'm not. I'm asking that we not use ratepayer public dollars to fund the real estate development community's brand of economic development. The EDC's not focusing on how we can have good jobs, economic vitality and *water* 100 years from now. We can be, and we should be.

Larry Small, you're fond of numbers and you said you said this morning you're very happy with the way things are going. So tell me, if El Paso County continues growing at the current rate, in what year will we surpass the current population of the City of Los Angeles? [interrupted by Mayor here] The facts are, it will be 2138. My grandchildren will still be alive. The rates, and how we conduct the business of our utility today will have an impact on whether we have water for my grandchildren and the other 4 million people who will be here then if we continue the current practice.

I want to know if we have the leadership and the long-term vision on this council to start pursuing a prosperity strategy that doesn't depend on or accelerate population growth.

First, what do our utility's customer/owners want? In a nutshell, they want...

- Reliable and affordable utility service
- Strong, successful employers who won't go out of business or leave town next year

Let's examine how the growth subsidy affects these.

[again interrupted by Mayor]

Item 1: Reliable and affordable utility service: The connection fee discount program actually works against us here, because we have to fund it through higher borrowing and utility rates. Rates would be lower without the tap-fee discount. Of course this is important to everyone, but critically important to our enlisted families, retirees, and the 10 percent of our population at or near poverty level.

Item 2: Strong, successful employers: Well, how does the tap-fee discount impact current employers? The higher ongoing utility rates work against us here, as well. Our current employers could keep their costs down and be more competitive/expand their business/increase wages if their utility rates didn't have to subsidize new infrastructure for their competitors to move into town.

So here is what we know about using utilities as a mechanism for economic development:

- it's regressive, working a hardship on low-income families

- it hurts current employers, hitting the smallest hardest - hardly good economic development policy – since small companies employ more than half of all employees in the private sector, and generate 60 to 80 percent of net new jobs each year.
- we know the free market is most efficient mechanism for allocating scarce resources (current policy insulates market from true cost signals)
- tap fee discounts are relatively insignificant in relocation decisions
- tap fee discounts are untargeted and make no requirements of the recipients
- tap fee discounts lead to churn (low cost of entry, high cost to stay)

Enough bad news. It turns out there are some great solutions to this dilemma...

We all want to keep the good jobs we have, and we want to replace jobs the community loses so our unemployed have the opportunity to stay here. If indiscriminate, unaccountable tap-fee discounts aren't the way to achieve this, what is?

There's a tremendous opportunity here for our community to...

1. Provide limited, targeted incentives for key new employers and existing employers who are expanding – but make them accountable. Make the incentives contingent on meeting our economic development objectives:

- Recipients must hire true local residents (not people who just moved here to chase those jobs)
- Require them to meet high wage criteria
- Require them to keep those jobs in this community for a specified period

* Don't hide the program in utilities and don't fund it through the utility bills of current employers and struggling families

2. Take care of our existing employers (which means don't artificially increase their utility bills to cover costs of subsidies for others, and nurture what we've got.

3. Shift our focus to “plugging the leaks” (I refer you to pages 2 and 3 of the handout we've provided. Not only does it have a cute picture of a leaky bucket, but it has some great examples of what other communities have been doing in this arena). [The following explanation of the leaky bucket concept was skipped in the meeting, in response to pressure from the Mayor not to “waste Council's time.”] What do I mean by “plugging the leaks?” Think of our local economy as a bucket. Think of dollars as the water in the bucket. Our goal is to keep the bucket as full as possible. We like to have primary employers in town because when they sell their goods and services to customers outside the community, money comes into our local economy and that helps to fill the bucket. By the same token, if they purchase supplies or services from vendors outside our community, then those dollars leave our local economy. That's a leak in the bucket. When you go to dinner at a national chain like Macaroni Grill, the profits immediately leave town, so the benefit to our local economy is small – primarily in the form of the minimum-wages paid to the service staff. Now if you dine at Panino's, those profits don't leave town immediately. The local ownership has the opportunity to spend those dollars right here, so they bounce around in our bucket for awhile before they eventually leave. That's just one way we plug the leaks in the bucket.

The antiquated style of economic development most communities used to practice, and many of us still are, focus on filling the bucket – that is bringing in new money to replace what we continue to lose. That’s largely inefficient, because you’re always having to find more and more dollars to bring in – and the cost of continually filling the bucket is almost always higher than the cost of plugging the leaks. Think, for example, of the money and energy being wasted to move one company out and then to move another company in.

The real estate development community is fine with this focus on continually filling the bucket, because that feeds their industry. And that’s why we can’t, and shouldn’t, count on the EDC to set or adopt our priorities.

The constant drumbeat of “quality jobs” and “increasing per capita income” we hear from EDC has worked well to maintain the impression that EDC’s members have our community’s best interests at heart. But, you’ll see on page one of our handout: a quick long-term performance appraisal reveals that, since EDC’s inception, our unemployment rate and per capita income have done nothing but mirror the national average. EDC membership’s happy with that, because their primary concern is meeting the sales quotas of members like Lennar, Capital Pacific and Classic.

Our city, our hospital and our utility should not be writing checks to a private special-interest group like the EDC. I’m suggesting, and asking, that you take the public funding for EDC from all three budgets, which I believe adds up to about \$300,000, and use those funds to re-establish the Colorado Springs Office of Economic Development. That way we can have open, productive, modern, efficient, and accountable economic development for all.