



Elizabeth Kautz, Burnsville mayor and president of the US Conference of Mayors

Civic Caucus, 8301 Creekside Circle #920, Bloomington, MN 55437

Friday, April 2, 2010

Present: Verne Johnson, chair (phone); David Broden, Charles Gilje, Paul Gilje, Jim Hetland (phone), Jan Hively (phone), Dan Loritz, Tim McDonald (phone) and Bob White

Key Points: *Local and state governments need to partner with the private sector to drive economic development and promote Minnesota. Many townships in the state can and should be rolled into the counties for their services. Municipalities should be weaned from Local Government Aid, should strive to attract business and should create a culture of innovation to improve the delivery of public services.*

A. Context of the meeting - There has been a lot of discussion in Minnesota about the state/local relationship and of the role of cities in the redesign of public services. Our guest today is a pro-active and innovation-minded mayor from the Metro area who has been proactive in forming cooperative groups to work on economic development and innovation in the functions of local governments.

Today's talk will include the state of metropolitan governance and the need for metropolitan leadership in the fiscal situation of the state.

B. Welcome and introductions- Elizabeth Kautz is mayor of Burnsville, president of the U. S. Conference of Mayors and co-chair of the Minnesota Regional Council of Mayors. She was elected Burnsville's mayor in November 1994 after serving two years on the City Council. She is currently serving her sixth term.

Kautz is past chair of the Board of Directors for the Minnesota Valley Transit Authority and serves on the Suburban Transit Association board.

Her background is in organizational development, business administration, education, training and development, pastoral care ministry and counseling psychology. She received her Masters Degree in Counseling, Psychology from the Alfred Adler Institute of Chicago, Illinois. She received her

undergraduate degree in Theology with a psychology focus from the College of St. Catherine in St. Paul, Minnesota. Kautz was one of the first women to serve as a Professional Minister within the Catholic Church, as Pastoral Minister.

C. Comments and discussion -During Kautz's visit with the Civic Caucus, the following points were raised:

1. Metropolitan areas are powerhouses— "I have been very interested in metro issues because metro areas are powerhouses," Kautz said. "There are 362 metro areas in country. They account for 90 percent of labor production and 86 percent of total jobs. Of the world's 100 largest economies, 40 of them are in the U.S." The Minneapolis/Saint Paul metro region is the 14th largest in the US.

"We were motivated to start the Regional Council of Mayors because no one was addressing regional issues Kautz said. "I asked an executive at a Fortune 500 company how they pick new sites to locate their businesses. He said they send people out-site selectors—that look at a variety of indicators. So I went out and talked with one of these site selectors and they said the Minneapolis/St. Paul metro area was not on their radar."

The Minnesota Regional Council of Mayors, which Kautz said she and the mayor of Minnetonka co-founded, is working with the Itasca Task Force, a Minnesota organization of CEO's of major companies. The goal is retain jobs, create jobs and to attract new businesses and jobs to our metropolitan area.

2. The Metropolitan Council is not the right body for business development— Responding to a question about the Metropolitan Council, Kautz said, "The council, right now, is the planning organization; but sometimes they reach into areas on which they have no expertise. The Regional Council of Mayors believes that working with our business sector is the best way to work on job creation, it is businesses who create jobs.

The Metropolitan Council needs to focus on their mission. Economic development is not part of their mission.

3. Make post-secondary education more responsive to the economy— A member commented on Kautz's interest and ability in working beyond her own boundaries to get stakeholders involved. The member asked about education: in Austin, TX, there is a partnership that seeks certificate programs to match workers with new projects that come along. Does this sound right?

"Absolutely. (UM President) Bruininks is part of our group because we are losing parts of our intellectual capital. I came to understand this by talking with our CEO's. They do not have the work force they need. So I've been working to bring higher education to Burnsville. Not building more bricks and mortar, but using existing assets We've got St. Thomas, St. Mary's, Concordia, Dakota Technical College and Inver Hills Community College utilizing an existing public school building and holding classes there.

"We are looking at a new way of delivering education and for the education system to be proactive in meeting the needs of business. These programs are housed at a senior high school/senior citizen complex. The complex is used for higher education from 4-8pm."

4. Transit planning should relate to economic development— "One thing we really need to look at is the need for a multi-modal system. It's not an issue of roads and bus/rail, but what are going to be the best solutions for us as we go forward. We can't continue to buy up land. The analysis that's done when you build a new road system shows these are very expensive."

I know there is a subsidy that goes into the rail. We need to be paying for some of this so that we are running good systems. Valley Transit Authority is one of the lowest subsidy in the state: \$.39/rider; highest is \$26/rider. There is a cost to roads too, including their maintenance and upkeep.

Who pays for the subsidy/maintenance, a member asked? Would it come from the general fund? Kautz responded that she favors the notion of a "constitutional amendment for transit."

Is transit a focus of the Itasca group? No, more the mayors. She listed reasons including creating greater density, "livable communities," and "moving people to jobs." When you look at where businesses are located, they're coming to cities. "We need to connect the dots."

5. Roll smaller townships into the counties— "The state general fund is pushed to unsustainable ends. Are we going to accept the same sort of government structure," she asked, "or should we remake it to make better use of public money?"

"In greater Minnesota, there are townships that could be part of their county." And they probably should be, "until they get to a point that you're at 30,000 and then may incorporate. I've heard from developers, when you go into these townships they're trying to maintain their status so they can get state aid (Local Government Aid-LGA). There has to be another way for us to work the local city /county relationship, i.e., looking at a lot of these townships with the possibility of rolling them into a county system instead of standing alone.

"We're the ones paying into that," she said, lamenting the position of metro municipalities. "There is a lot of money going to townships that shouldn't be."

Counties already play an essential role. "Counties are an extension of the state, in delivering services. They run county roads that are necessary. They handle public safety for the rural communities."

6. Phase out the LGA program— "There is a group of cities that they call *the fertile crescent*. They are the metro counties that produce 70 percent of the GDP and getting zero in LGA money."

LGA is shrinking. They are the same programs just getting smaller. "We can't even get the state to pay for a study on fiscal disparities. We don't receive any money and I like that local control."

Burnsville did get some LGA money in earlier years. "We knew at some point the funding wouldn't come, because we don't trust the state government. So we kept it out of the budget; weaned ourselves off mother's milk and found a way to stand on our own two feet. We used the state money for one-time use money."

A member asked about the idea of John James and others to make use of the income adjusted tax credit, targeting the 'circuit breaker' at the individual instead of applying breaks to entire municipalities.

Kautz took issue with the premise of the notion: "But you're talking about a person in one place paying for someone's tax credit, out across the state.

"I think you should be looking at both someone's income tax and property tax. Otherwise you get someone on a fixed income in the metro paying outstate because someone with a nice income there has a low property tax. True value and true income."

A member asked Kautz whether she is involved with any movements to phase out LGA? "The Metropolitan Legislative Commission is looking at a fiscal disparities pool; looking at doing a study." But no action right now.

7. Cooperation and consolidation of services among municipalities— Municipalities can innovate in service-delivery, Kautz argued. "There is movement," on the consolidation of emergency services and pooling health care purchases for city workers. "It is not being dictated from the Legislature, but instead, it is us being responsive to the needs on our budgets."

8. The state needs more concerted efforts at economic development and advocacy—

How many counties does the conference of mayors consider to be the metro? "13." Good for you, a member commented. "We also did a leap frog and reached out to Rochester and St. Cloud. Worked with McKinsey, Brookings to look at where our strengths are as a state: medical services, distribution and finance."

What metro areas are doing well when you work around the country? "Denver, Pittsburgh, Charlotte, Austin." What are the lessons to be learned? "You have to have an economic development entity that really focuses on the issue of marketing who we are. We had this discussion at the last task force-who belongs to this entity? It should be public/private. You need to have cities and counties in the mix. So: Looking at transportation corridor, looking at tax structure.

We've talked a lot about a state-level planning commission, a member observed. You're in the business of doing this with local government and business. What barriers are you facing about getting people to work across boundaries to do this work? "We see these groups as stakeholders. But we really need to focus on getting this mission accomplished and getting this entity established. We say that the other groups-their mission is different. They would have an economic development mission, but it's not their core so it gets lost. We need to retain and grow what we have here-and attract more.

There is a new permanent entity, the Itasca jobs taskforce. "It's going to be public/private, pay to play. 90 percent of the state discussion is about the services." What about the revenue side? "I come from a business background and you need to look at both sides of the legislature. Don't demonize business, because they're the ones creating the jobs. We're all in this together."

D. Closing

It has been an interesting time, sitting and talking with you. I've shared a lot of my opinions. She parted with one particular comment to keep in mind: "We need to ask where the GDP is produced."