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MEMORANDUM

To: Working Committees

From: CMAP staff

Date: October 27, 2016

Re: Defining and Measuring Municipal Capacity - Revised

Introduction

To better define the Municipal Capacity Resource Group's charge, this memorandum focuses on definitions and metrics of municipal and community capacity that will be used as a basis for developing strategies around increasing capacity across communities in northeastern Illinois. Measuring municipal capacity can help identify variations in capacity as well as underlying factors affecting capacity across communities. This will enable the Resource Group to focus on the differences in community need and best practices for municipalities within the region.

Defining Municipal Capacity

Staff revised the proposed definition of municipal capacity based on the suggestions provided at September resource group meeting. CMAP staff proposes that municipal capacity be defined as: **the ability of a municipality to ensure services are provided on a sustained basis in pursuit of its own objectives**.[1] These objectives, in accordance with a given municipality's decision-making process, could involve public services, community identity, and regional and local economic development.

Capacity can be distinguished through categories of policy and implementation capacity as well as operational efficiency. Policy and implementation capacity refers to the decision-making and analysis process and the ability to carry out these decisions on behalf of the municipality. Operational efficiency includes cost-effectiveness and the quality of service provided to a municipality's residents, businesses, and visitors.

[1] Definition based on resource group input, as well as various sources: Polidano, C. (1999). Measuring Public Sector Capacity. *Institute for Development Policy and Management;* Mohr, R., S. Deller, and J. Halstead. 2010. Alternative Methods of Service Delivery in Small and Rural Municipalities. *Public Administration Review* (November/December).

There are various challenges that can affect a municipality's capacity. Some of the region's communities may suffer from poor fiscal condition, resulting in insufficient funding to pursue planning objectives or provide essential services. Other municipalities may have low staffing levels, or their staff and elected officials may lack technical knowledge. In addition, some communities may have residents who lack interest or ability to become involved with implementing planning objectives, or may even actively oppose these activities. Additionally, in some instances low capacity may be a conscious choice by a voting populace with a preference for minimal local government. Pinpointing these barriers in the region's municipalities will be critical to identifying and applying the most appropriate strategies.

Measuring Municipal Capacity

CMAP will use both qualitative data, such as assessments of LTA project outcomes and responses to municipal surveys, and quantitative metrics to measure aspects of capacity across communities. These metrics will address both drivers of the capacity of a municipality, such as revenue levels, and outcomes of the capacity of a municipality, such as having a capital improvement plan. No single measure can indicate high or low capacity, but certain measures may highlight particular areas of concern or of strength in a municipality. Some of these metrics may also uncover potential common challenges in implementing planning recommendations. These metrics may also help in targeting strategies including technical assistance, education and the potential for addition shared services among different municipalities. Some challenges may require larger solutions to address state or local frameworks that limit the ability to improve capacity. Most of the quantitative metrics utilized in this research should be comprehensive and informative.

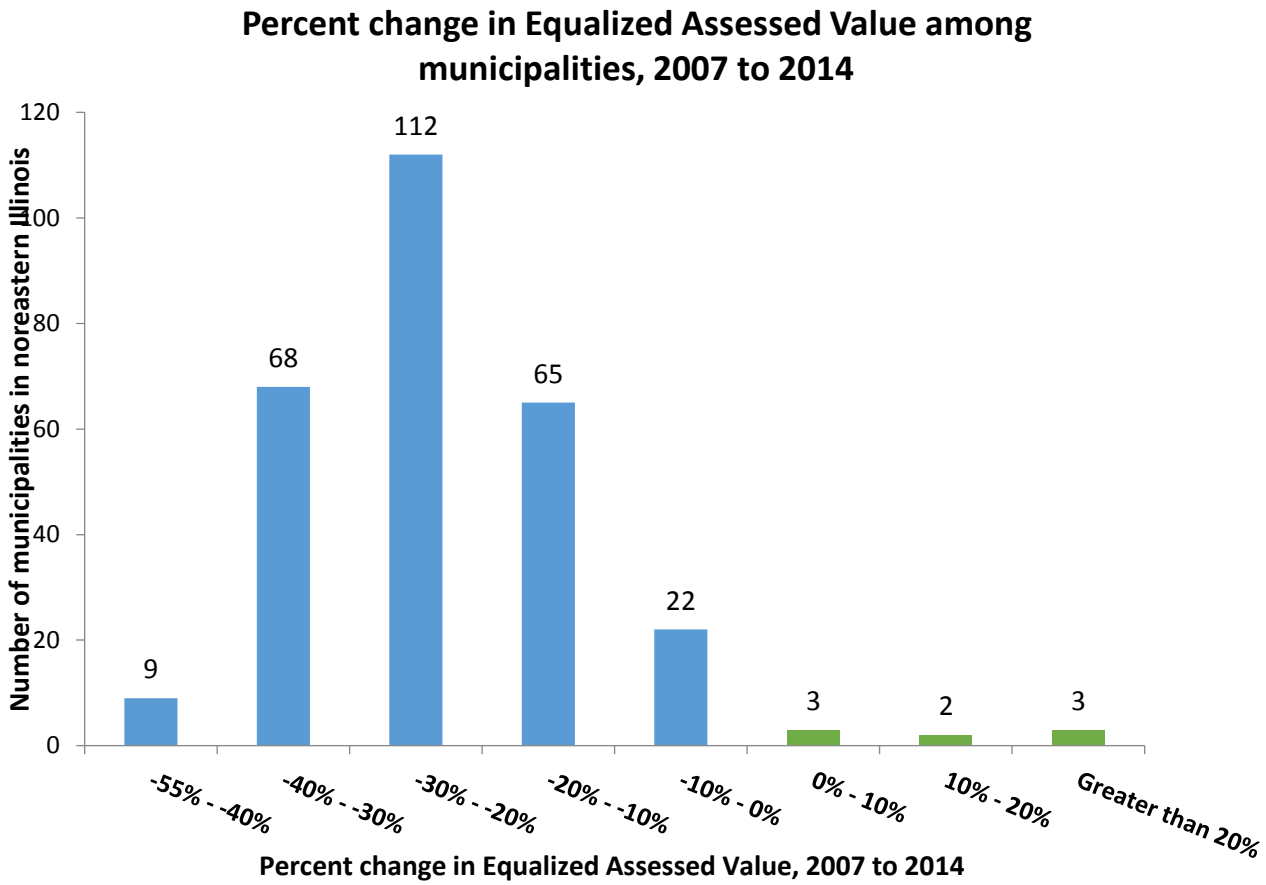
To determine the metrics for use in this project, staff evaluated initial ideas along with those generated during the September resource group meeting. Many potential metrics were eliminated for several reasons:

- The necessary data was unavailable in a comprehensive manner for most municipalities in the region
- The metric was not applicable to all municipalities in the region
- The concept was better addressed by a different metric
- The concept would be better utilized as a case study analysis in other research for this project

The following list highlights the metrics currently being considered for use in this project. As the project moves forward, other metrics can be added, or subtracted, as needed. The metrics are divided into those that may be underlying drivers of capacity and those that may indicate capacity.

Property tax base growth. Growth in the property tax base, as represented by Equalized Assessed Value, is a *driver* of a municipality's capacity. It is a significant indicator of both economic health and fiscal condition. While not all municipalities take advantage

of their property tax base to generate revenues, municipalities with a strong property tax base have the potential to generate sufficient revenues without extremely high tax rates. A growing property tax base is key to ensuring that it increases with the cost of public services. Property tax base growth also provides insight into the extent of economic development occurring within each municipality. This analysis uses percent change in EAV between the 2007 and 2014 tax years to measure property tax base growth. Because the region's property tax base is still experiencing effects of the economic recession that occurred between December 2007 and June 2009, most municipalities have experienced declines in property tax base during this period, but there is variation across the region. The following chart represents the distribution in percent change in property tax base across northeastern Illinois municipalities.



Source: Chicago Metropolitan Agency for Planning analysis of Illinois Department of Revenue data

Total municipal revenue. The revenues a municipality has for use on public services and other objectives is a *driver* of its overall capacity. The benefit of using overall municipal revenues (including those deposited into general, special, capital, and debt service funds) is that it provides a measure of fiscal capacity without regard to fiscal structure. To normalize across municipalities, total revenues were divided by the number of residents and employees in each municipality. In addition, whether each

municipality provided fire protection services (versus having a separate fire protection district) was considered in the analysis.

Home rule. All Illinois municipalities with populations greater than 25,000 are granted home rule status and municipalities with smaller populations may adopt home rule status by referendum.[2] Home rule communities can be characterized as a municipality that can "exercise any power and perform any function pertaining to its government and affairs."[3] Essentially, a home rule municipality is one that has the ability to pass ordinances to govern themselves as they see fit. This includes expanded taxation and regulatory powers, such as the ability to implement local sales taxes without a referendum and exceed state statutory limitations on property tax extensions. Home rule may be a distinguishing factor in a municipality's capacity because it either has to be large enough to have home rule powers automatically, or had the capacity to adopt home rule by referendum. The designation can help highlight opportunities that a municipality has and its ability to make its own decisions and further its own objectives. In northeastern Illinois, there are 139 home rule municipalities and 146 non-home rule municipalities.

Existence of Capital Improvement Plan (CIP). A CIP is a short-range plan (4-10 years) that identifies capital projects and equipment purchases, provides a planning schedule and identifies options for financing the plan. The plan provides a link between a municipality, school district, parks and recreation department and potentially among other municipal intergovernmental agencies or groups. Having a CIP may be an *outcome* of being a high capacity community because they require a certain degree of technical knowledge and capacity that some municipalities do not possess. CIPs require planning, financial expertise, available funding, and the capability to improve infrastructure. A higher capacity municipality, therefore, is more likely to propose and initiate CIPs than lower capacity municipalities.

Age of comprehensive plan. A comprehensive plan is a document that outlines the priorities, objectives, and plans surrounding a municipality, region, or state. Comprehensive plans are important because they help to lay the foundation for the future of the geographic area the plan represents. An *outcome* of having greater capacity may be that a municipality has the technical capacity to complete a long-range planning project, and update the adopted document in regular intervals. It also highlights whether a municipality has the resources necessary to successfully initiate and complete a large-scale project. The more recent a comprehensive plan, the more likely the municipality is to have higher technical knowledge and staff capacity. The existence of a

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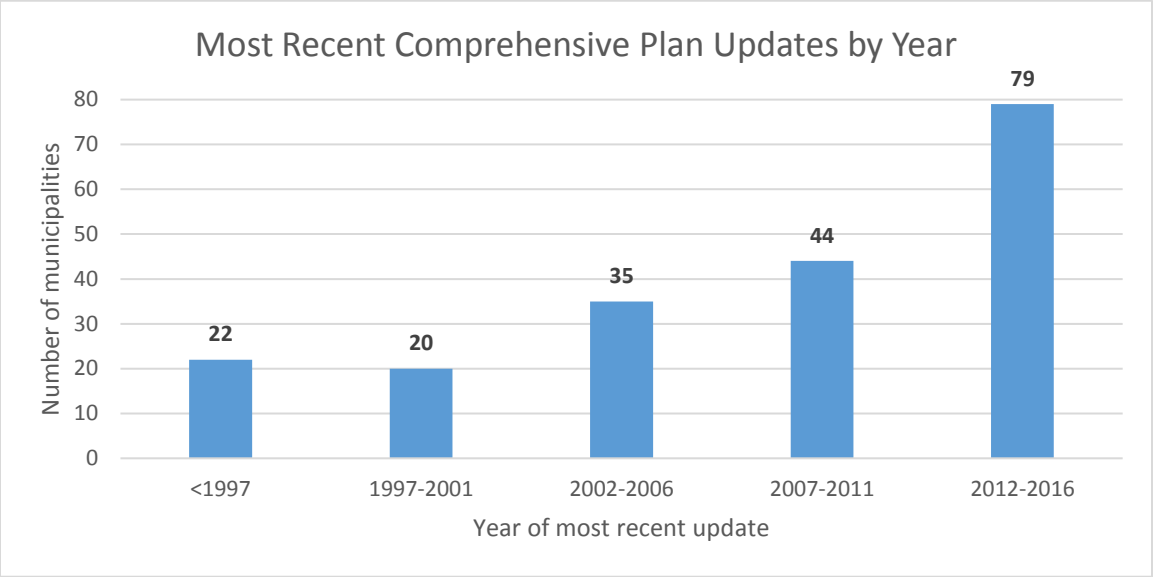
[2] Municipalities may also abandon home rule by referendum, which has happened three times in northeastern Illinois.

[3] Constitution of the State of Illinois, Article VII. Section 6(a)

newer comprehensive plan also highlights the ability of a municipality to focus on long-term municipality objectives.



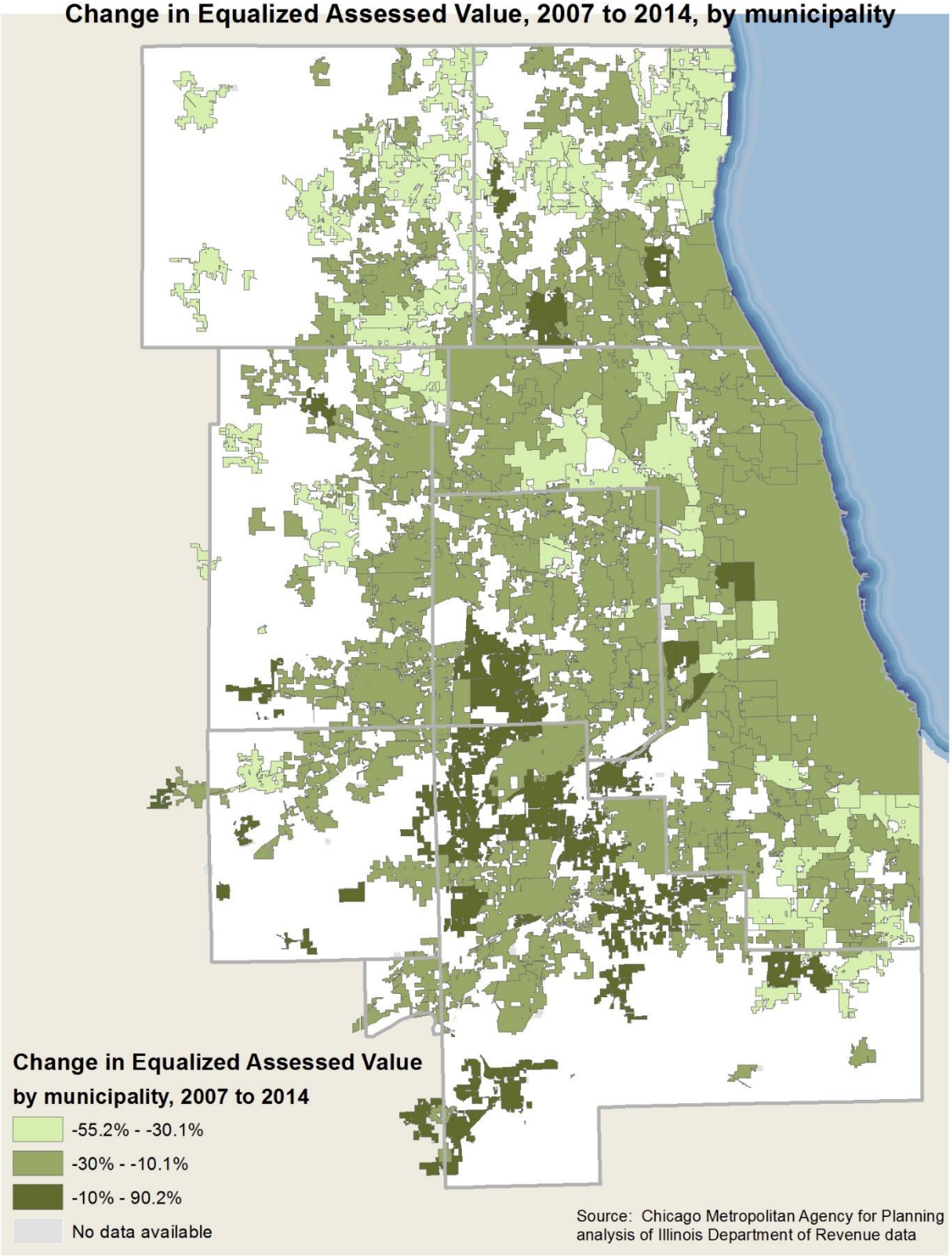
Note: Includes the 200 municipalities that responded to the survey question
Source: Responses to Chicago Metropolitan Agency for Planning 2016 Municipal Survey

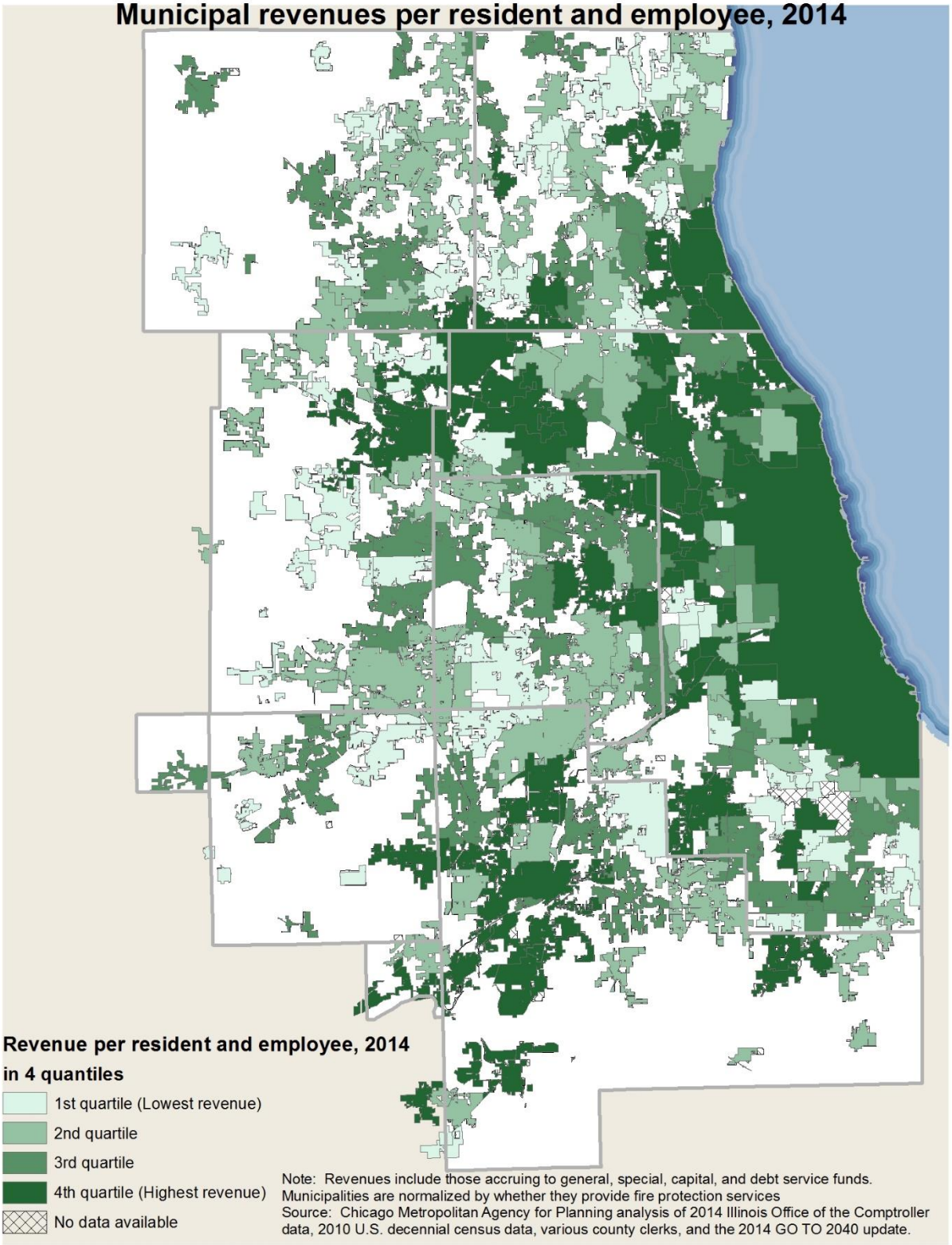
The following summarizes the metrics discussed above:

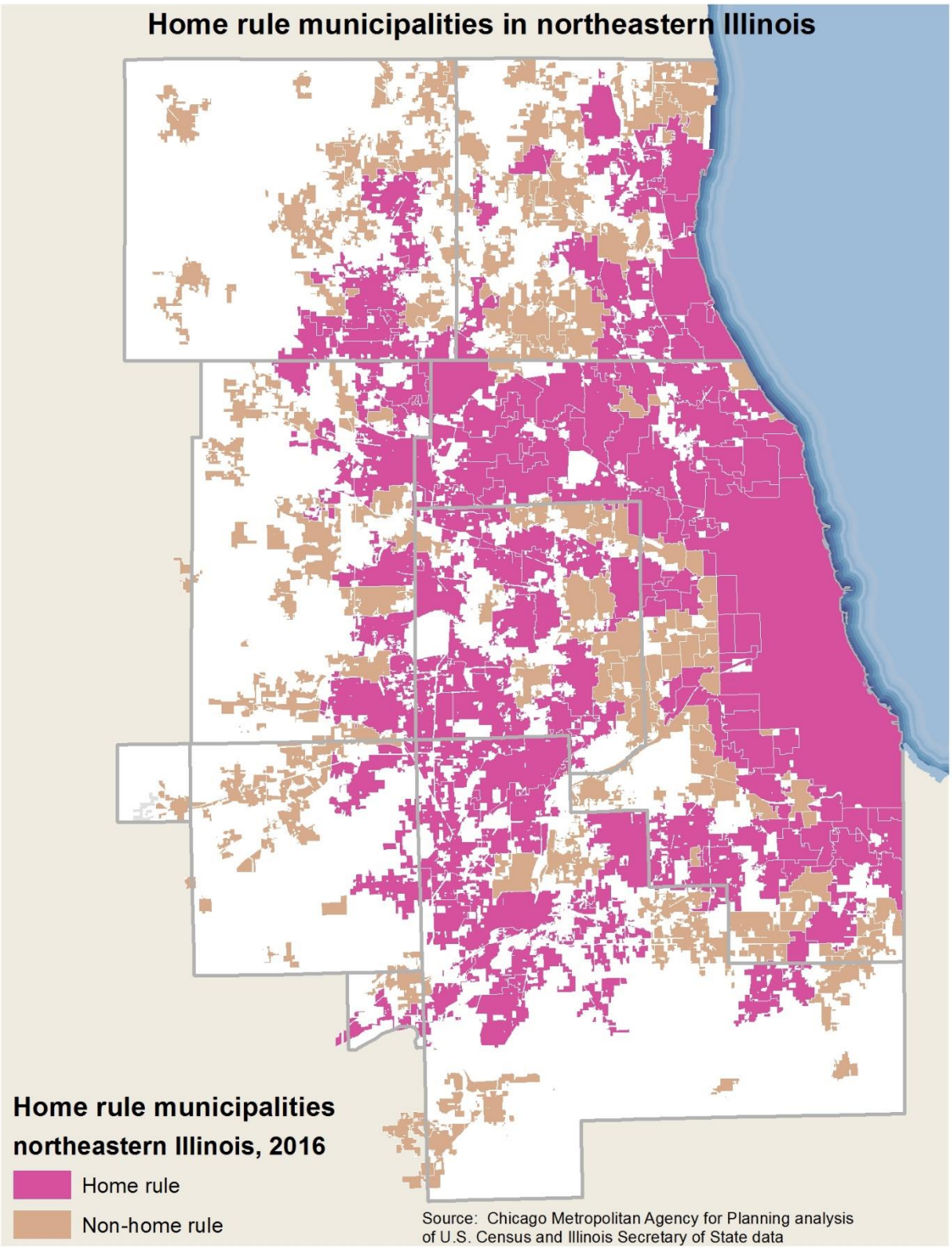
Metric	Description	Metric type
Property tax base growth	Change in EAV between 2007 and 2014	Driver of capacity
Total revenue	2014 total revenue, divided by total residents and employees and normalized for fire services	Driver of capacity
Home rule status	Whether a municipality has home rule status	Driver and outcome of capacity
Existence of a CIP	Whether a municipality has a capital improvement plan	Outcome of capacity
Age of comp plan	Year of most recent comprehensive plan	Outcome of capacity

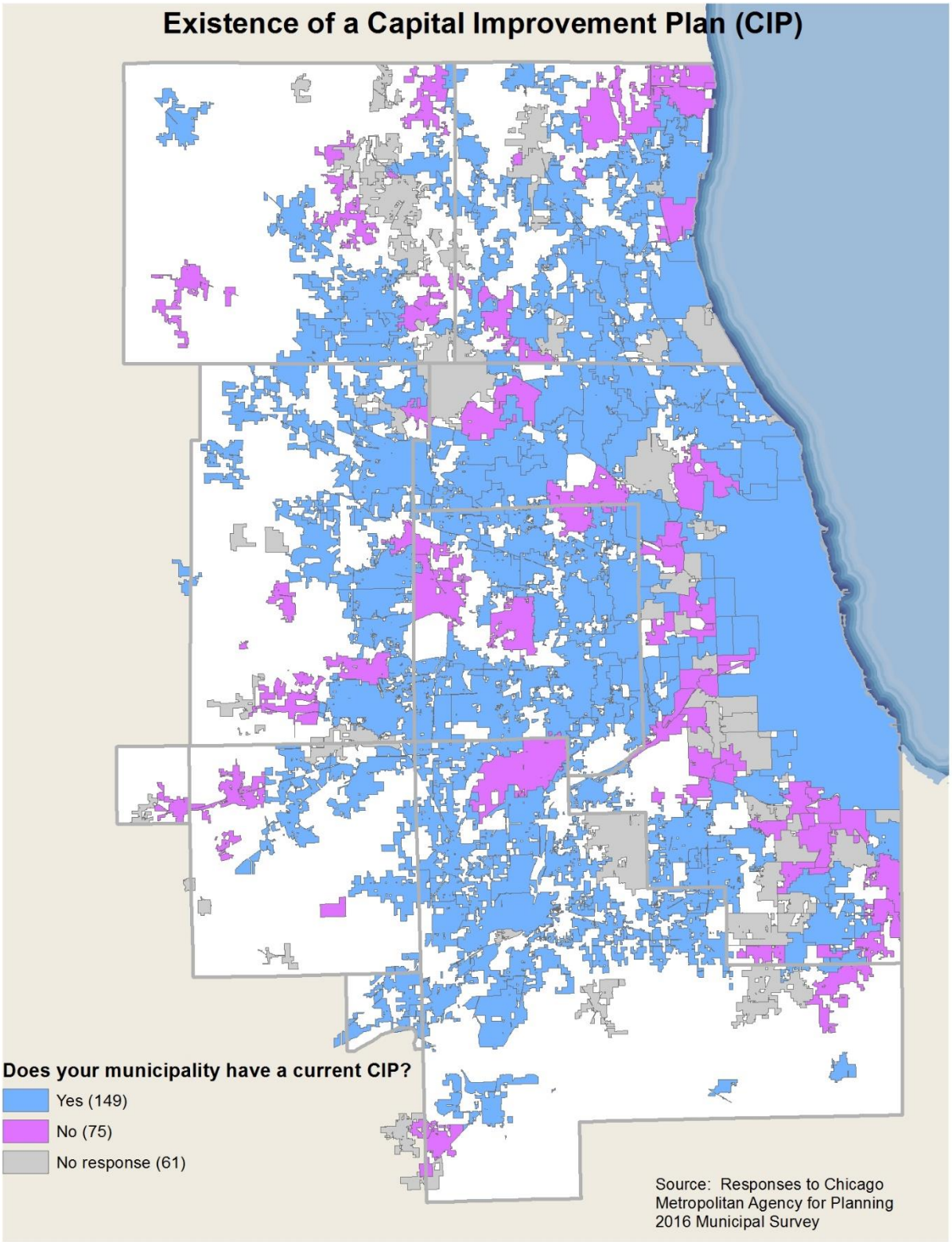
To assist with prioritizing the metrics most relevant to municipal capacity, staff has created several maps (attached) that illustrate metrics. To facilitate assessment of unique challenges and strategies, each metric will be treated individually, rather than combined into an index.

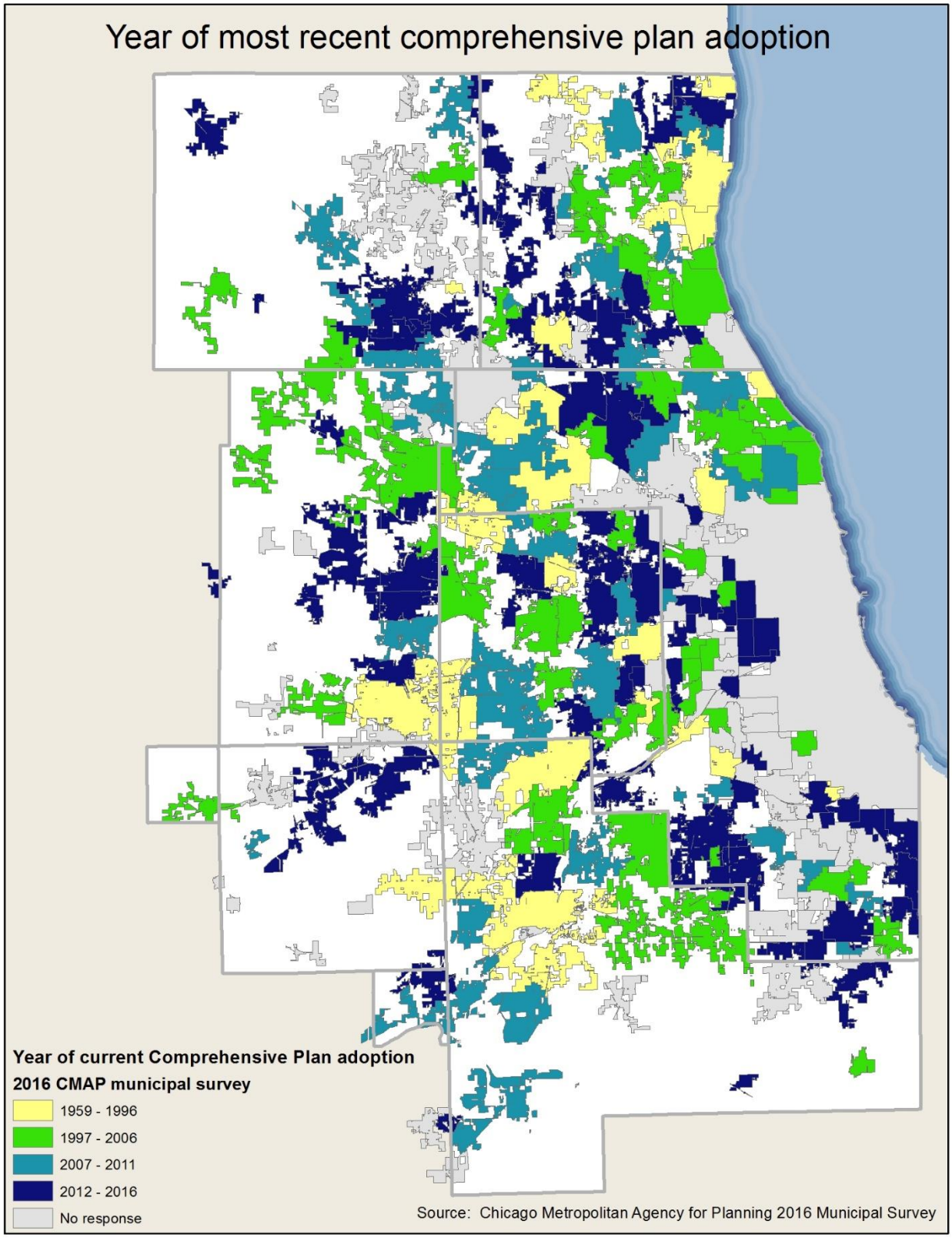
Change in Equalized Assessed Value, 2007 to 2014, by municipality




Municipal revenues per resident and employee, 2014
Revenue per resident and employee, 2014
in 4 quantiles
1st quartile (Lowest revenue)
2nd quartile
3rd quartile
4th quartile (Highest revenue)
No data available
Note: Revenues include those accruing to general, special, capital, and debt service funds.
Municipalities are normalized by whether they provide fire protection services
Source: Chicago Metropolitan Agency for Planning analysis of 2014 Illinois Office of the Comptroller data, 2010 U.S. decennial census data, various county clerks, and the 2014 GO TO 2040 update.


Home rule municipalities in northeastern Illinois
Home rule municipalities
northeastern Illinois, 2016
Home rule
Non-home rule
Source: Chicago Metropolitan Agency for Planning analysis
of U.S. Census and Illinois Secretary of State data


Existence of a Capital Improvement Plan (CIP)
Does your municipality have a current CIP?
Yes (149)
No (75)
No response (61)
Source: Responses to Chicago Metropolitan Agency for Planning 2016 Municipal Survey


Year of most recent comprehensive plan adoption
Year of current Comprehensive Plan adoption
2016 CMAP municipal survey
1959 - 1996
1997 - 2006
2007 - 2011
2012 - 2016
No response
Source: Chicago Metropolitan Agency for Planning 2016 Municipal Survey