CASE STUDY

COMPARING ST. LOUIS AND INDIANAPOLIS LOCAL GOVERNMENT STRUCTURES

University of Missouri-St. Louis

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Executive Summary

In the prologue to his edited volume *Governing Metropolitan Regions in the 21st Century*, noted urban economist Don Phares summarizes the two decades-old, often competing, perspectives in the academic and professional literature on how metropolitan areas best should govern themselves.[1] The reform movement advocates a streamlined formal government structure, collapsing many local governmental units into a few, or one. The so-called new regionalism argues for a 'governance' approach, emphasizing voluntary cooperation among existing civic, nonprofit, private and public organizations. Both of these normative perspectives seek improved outcomes for metropolitan regions that have multiple local governments, which are commonplace in the American federated system of government.

The literature is, however, devoid of empirical case studies comparing the costs and outcomes of structurally reformed and voluntarily regionalized local government. Such straight up comparisons are fraught with challenges, among them:

1. Differences in accounting, budgeting, and other financial management procedures
2. Differences in the administration of specific service areas
3. Differences in state law
4. Differences in local political culture, economic structure and other endogenous variables[2]

The ongoing relevance of these differing perspectives on how metropolitan government ought to be structured and the challenges of comparing and contrasting the costs and outcomes of a metropolitan area that has a more centralized structure to a more decentralized metropolitan area recently was highlighted by a regional comparison report comparing the structure of government in the City of St. Louis and St. Louis County to that of the Consolidated City of Indianapolis-Marion County, Indiana and of the Louisville/Jefferson County Metro Government, Kentucky.[3] The synopsis of the analysis concluded there is "…more than $750 million in excess spending per year," in St. Louis compared to the other two areas. A press release with the headline *Budget Data Reveals Massive Overspending on St. Louis Municipal Services* accompanying the one-page of data for the three metropolitan areas states, "The fragmentation of the St. Louis region, with its 90 municipalities and 23 fire districts, plays a significant role in the total price-tag of our area's

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[1] Phares, D. (2009) *Governing Metropolitan Regions in the 21st Century*, M.E. Sharpe: Armonk, NY
[2] Wilson, R.H. "Metropolitan Governance in the United States: Is Fragmentation an Effective Strategy," in Spink, P.K., Ward, P.M., and Wilson, R.H. (2012) *Metropolitan Governance in the Federalist Americas*, Notre Dame, IN: University of Notre Dame Press.
[3] Better Together, http://www.bettertogetherstl.com/wp-content/uploads/2014/06/BT-Regional-Comparison-Overview2.pdf

municipal services."[4] Based on the headline and the text of the press release, a reasonable inference would be that for the same local government services St. Louis pays appreciably more than Indianapolis and Louisville because of the structure of government.

Given the challenges of comparing and contrasting the fiscal performance of differing local government structures, the University of Missouri-St. Louis Public Policy Research Center (PPRC) collected and analyzed data for a case study commissioned by CitiesStrong examining in more detail the titular Unigov of Indianapolis and governments and subgovernments of the City of St. Louis and St. Louis County. The PPRC case study was conducted using data primarily from a standardized source, the Comprehensive Annual Financial Report (CAFR), a financial reporting format that meets the requirements of the Governmental Accounting Standards Board. For purposes of transparency Volume II of the PPRC case study contains all of the source data.

In the course of collecting and analyzing data for the PPRC case study it became apparent there were both discrepancies in the total cost of local government when the data were taken from a standardized source and gaps in the service areas accounted for in the regional comparison report. As shown in Table 1 when the unaccounted for tax-supported local government activity of Unigov is added to the $1,132,778,622 used in the regional comparison report, the resulting total is $1,721,691,833; when this is divided by the 2013 Census estimated population for Marion County Indiana of 928,281, the result is a per capita calculation of $1,854.70 or $44.99 *more* than the per capita calculation for St. Louis reported in the regional comparison report.

Table 1

Indianapolis/Marion County CAFR differential	110,848,602
Municipal CAFR differential	63,592,917
Public health gap	226,026,699
Township gap	49,668,531
Sports venues	138,776,422
Unaccounted for tax-supported local government activity	$ 588,913,171

[4] Metropolitan Statistical Areas (MSA), or regions, are delineated by the U.S. Office of Management and Budget (OMB). The 2013 OMB delineation of the St. Louis MSA includes 15 counties (8 Illinois and 7 Missouri) while the regional comparison report examines only 2 counties in the St. Louis MSA, or region.

Looking Closely at Unigov

Despite the moniker Unigov, the structure of local government in Marion County Indiana is perplexingly complex. While Unigov consolidated the City of Indianapolis and Marion County as the primary governmental unit, there are a number of component units[5] that perform discrete functions and are outside the direct governance of the consolidated City of Indianapolis and Marion County.[6] The component units include:

- Capital Improvement Board of Managers
- Health and Hospital Corporation of Marion County, Indiana
- Indianapolis Airport Authority
- Indianapolis-Marion County Building Authority
- Indianapolis Marion County Public Library
- Indianapolis Public Transportation Corporation
- Marion County Convention and Recreational Facilities Authority

These component units each have their own source of tax and other revenues separate from the Consolidated City of Indianapolis/Marion County.[7]

While 11 Marion County municipalities are included in the consolidated government, there are 4 "excluded" municipalities. There also are 3 fire departments separate from fire protection provided by the consolidated government.

There are also 9 townships that provide local government services in Marion County and 11 school districts that are not included in the consolidated structure.

The regional comparison report's data indicated that expenditures for the metropolitan airport and for public transportation were excluded for both Indianapolis and St. Louis, although the specific amounts and the specific source for those amounts were never specified.

Data collected for the Public Policy Research Center (PPRC) case study indicate both discrepancies and gaps in the regional comparison's Unigov data and analysis because some expenditure categories were included in one region but not in the other. The PPRC case study also includes contrary evidence found in other published reports.

Discrepancies

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[5] Component units are legally separate organizations for which the elected officials of the primary government are financially accountable, GASB Statement 14.
http://www.gasb.org/jsp/GASB/Document_C/GASBDocumentPage?cid=1176160030209&acceptedDisclaimer=true

[6] Bloomquist, W., and Parks, R.B. (1995) "Fiscal, Service and Political Impacts of Indianapolis-MariMon County's Unigov," *Publius* 25(4), page 41.

[7] Marion County is one of 11 counties in the Indianapolis-Carmel-Anderson Metropolitan Statistical Area

In the regional comparison report, the source of the expenditure data for the consolidated City of Indianapolis-Marion County Government Reporting Entity is the 2013 adopted budget. On page 10 of that document the total of 2013 Adopted Appropriations is $1,028,661,728, the figure used in the regional comparison.

The PPRC case study used the 2013 Consolidated Annual Financial Report (CAFR) as a consistent source of data and used from the Basic Financial Statement the schedule of change in net position as the source of governmental activities expenditure to compare Indianapolis and St. Louis. Governmental (tax supported) activities are reported separately from business-type activities (fee and other revenue supported) in CAFRs. For the City of St. Louis, for example, this separates out Lambert-St. Louis International Airport, the water division and the parking division.

Table 2

Governmental Entity	Governmental Activities Expenditure	Source
City of Indianapolis	$837,646,000	2013 CAFR pg. 8
Marion County	$280,710,568	2013 CAFR pg. 7
Subtotal	**$1,118,356,568 ($1,028,661,728)**	
City of St. Louis	$792,100,000	2013 CAFR pg. 10
St. Louis County	$628,220,009	2013 CAFR pg. 10
Subtotal	**$1,420,320,009 ($1,441,473,771)**	

The regional comparison report's data used the Adopted Budget to identify 2013 projected expenditures for the Consolidated City of Indianapolis/Marion County. As shown in Table 2 the 2013 CAFR's for the City of Indianapolis and for Marion County show actual expenditures of $1,118,356,568 compared to the $1,028,661,728 in the adopted budget.[8] The regional comparison report's table identified adjusted 2012 expenditures for the City of St. Louis and St. Louis County totaling $1,441,473,771.[9] The 2013 CAFR shows governmental activities expenditures for the City of St. Louis and St. Louis County of $1,420,320,009. The data in the regional comparison report's table calculates the City of St. Louis and St. Louis County spending $412,812,043 more than Indianapolis/Marion County; however, using the consistent CAFR data source, the City of St. Louis and St. Louis County is documented as spending $301,963,441 more than Indianapolis/Marion County, a difference of $110,848,602, or 26 percent less differential than reported in the regional comparison's table.

[8] The Adopted Budget was dated October 26, 2012; the CAFR reports were through the year ended December 31, 2013.

[9] Although the specific source and amount were not specified, the regional comparison report stated airport, mass transit and water services were not included in the City of St. Louis expenditures and airport and mass transit were not included in the St. Louis County expenditures.

The regional comparison report's data shows expenditures of the suburban Marion County municipalities totaling $49,865,454 (corrected).[10] Using data from the same source as the regional comparison[11], the budget items Exhibits 1 – 15 in Appendix A show 2013 expenditures of $113,458,371.26, or 227 percent more than reported by the regional comparison. If there was a rationale for not reporting all of the Marion County municipal expenditures, it was not included in the regional comparison report's footnotes.

Gaps

A significant gap in the expenditures identified in the regional comparison report lies in the exclusion of public health expenses for Indianapolis while public health expenses are included for the City of St. Louis and St. Louis County. The comparison presents a challenge but not an insurmountable one.

Public health in Unigov is not provided by the City of Indianapolis or Marion County but through the component unit Health and Hospital Corporation of Marion County, Indiana. As stated in the 2013 CAFR, "The Health and Hospital Corporation of Marion County, Indiana is a distinct municipal corporation created under Chapter 287 of the Acts of 1951 enacted by the General Assembly of the State of Indiana. Its duties include the administration of the Division of Public Health and the Division of Hospitals"[12]

The Health and Hospital Corporation of Marion County is challenging to an intermetropolitan comparison of the cost of local government because in addition to being the public health agency for Unigov (the Marion County Public Health Department), it also serves Eskenazi Health and a long-term care enterprise fund which operates 59 nursing homes throughout Indiana. As was the case with the city and county governments, however, the Corporation's 2013 CAFR distinguishes between governmental activities and business-type activities. Governmental activities for the function as public health agency in Marion County totaled $226,026,699 in 2013.

A complete analysis comparing the per capita costs of local government in the City of St. Louis and St. Louis County to Unigov should either include the governmental activities expenditures of the Health and Hospital Corporation of Marion County or exclude the approximately $113,000,000 in 2013 health expenses reported by the City of St. Louis and St. Louis County CAFRs.

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[10] Better Together provided a revised total of municipal expenditures in August, 2015.
[11] The website Indiana Gateway for Governmental Units https://gateway.ifionline.org/
[12] 2013 CAFR Health and Hospital Corporation of Marion County, Indiana, page 2.

Another gap in the regional comparison report is created by disregarding the role and expenditures of the township governments in Marion County. There are nine townships in Marion County with more than 620 public employees that perform a variety of tax-funded local government functions, according to the 2012 Census of Governments. Townships in Indiana are general purpose local governments that primarily perform the functions of fire protection services and property tax assessment.[13]

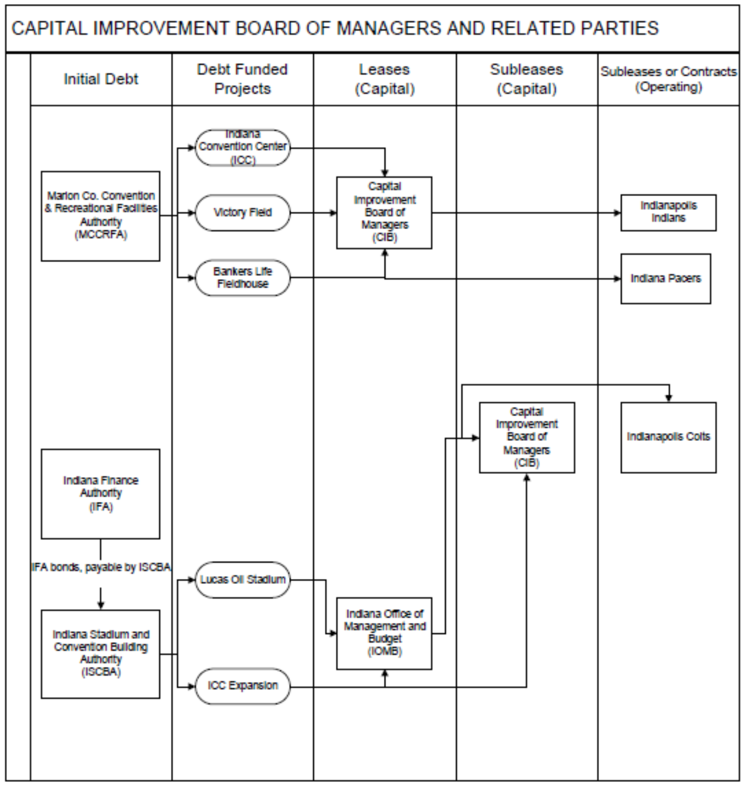
The regional comparison report's table did record $54,251,480 in fire department expenditures for Decatur, Pike, and Wayne Townships. Exhibits B1 – B9 in Appendix B report $113,120,788.93 in 2013 governmental activities for the nine Marion County townships. Of that total, the fire fighting fund expenditures for Decatur, Pike, and Wayne Townships account for $63,452,258, leaving $49,668,531.41 in other governmental activities excluded by the regional comparison report.

The most challenging area for contrasting public expenditure of Unigov to St. Louis City and County is the financing of sports venues. For example the St. Louis Convention and Visitors Commission operates America's Center Convention Complex and the Edward Jones Dome. America's Center and the Edward Jones Dome are owned by the St. Louis Regional Convention and Sports Complex Authority. A 3.75 percent tax paid by visitors for hotel fees in St. Louis City and County provides the funding for the SLCVC (the "Convention and Tourism Tax"), 11/15 of which is used by the SLCVC for its sales and marketing programs and operations. (The remaining 4/15 of the tax supports the programs of the St. Louis Regional Arts Commission.)[14] An additional 3.5 percent tax on hotel rooms (the "Sports and Entertainment Tax") imposed by each of the City and the County is subject to annual appropriation by the City of St. Louis Board of Aldermen and the St. Louis County Council.[15] Under terms of a "Financing Agreement" the City of St. Louis and St. Louis County each are responsible for 25 percent of the payment for the bonds for the construction of the Edward Jones Dome.

In addition to the Health and Hospital Corporation, Unigov includes several other component units. One of those component units is the Capital Improvement Board (CIB) of Managers of Marion County, Indiana. The CIB is a municipal body of Marion County created in 1965 pursuant to the provisions of Indiana Code (IC) 36-10-9. Its purpose is to acquire, construct, finance, lease, operate, promote and publicize capital improvements for the convention and visitor industry and the commercial, industrial and cultural interests of the State of Indiana. As shown in Figure 1 all of the facilities -- Indiana Convention Center and Lucas Oil Stadium, Victory Field and Conseco Fieldhouse -- are in Indianapolis.

[13] Indiana Township Association http://www.indianatownshipassoc.org/
[14] http://explorestlouis.com/st-louis-cvc/about-us/
[15] http://stlrsa.org/americas-center-facilities-and-operations.html

Figure 1
Indianapolis Public Facilities Ownership



As shown in Figure 1 Indianapolis has a more multifarious structure of sports venue ownership and financing.

Revenue Sources of the CIB[16]

In addition to lease rental payments and operating income from the Capitol Commons parking garage, the Indiana Convention Center and Lucas Oil Stadium, the following sources of tax revenues are received by the CIB:

<u>Marion County Innkeeper's Tax</u>

- In 1997, this tax was established at 6% with 1/6th of this tax dedicated to fund lease rental payments or obligations of the convention center expansion of 1997.
- In 2005, this tax was increased by 3% with the additional tax dedicated to the debt service obligations related to LOS and the ICC expansion of 2005.
- In 2009, this tax was increased by 1% with the additional tax dedicated to the operating expenses of the CIB.

[16] This description of the tax sources of the Capital Improvements Board of Managers was copied from the State Board of Accounts Compliance Review for January 1, 2012 to December 31, 2012. http://www.in.gov/sboa/WebReports/B42347.pdf, pgs. 9-10.

Marion County Food and Beverage Tax

- In 1981, this tax was established at 1%.
- In 2005, this tax was increased by 1% with the additional tax dedicated to the debt service obligations related to LOS and the ICC expansion of 2005.

Marion County Admissions Tax

- In 1997, this tax was established at 5%.
- In 2005, this tax was increased by 1% with the additional tax dedicated to the debt service obligations related to LOS and the ICC expansion of 2005.

Marion County Supplemental Auto Rental Excise Tax

- In 1997, this tax was established at 2%.
- In 2005, this tax was increased by 2% with the additional tax dedicated to the debt service obligations related to LOS and the ICC expansion of 2005.

Regional County Food and Beverage Tax

- In 2005, this tax was established at 1% with ½ of the tax dedicated to the debt service obligations related to LOS and the ICC expansion of 2005. If the ½ amount collected is over $5 million, the remaining balance is remitted to the participating counties which include Boone, Johnson, Hamilton, Hancock, Hendricks, and Shelby.

Indiana Cigarette Tax

- A total of $350,000 is received from this tax annually.

Specialty License Plate Fee

- The CIB receives $20 for each Indianapolis Colts vanity license plate sold. The amount collected is dedicated to the debt service obligations related to LOS and the ICC expansion of 2005.

Professional Sports Development Area (PSDA) Revenues

- In 1997, the PSDA was established and includes Conseco Fieldhouse, the former domed stadium, ICC, Victory Field, and the Indianapolis Colts practice facility. For the 1997 PSDA, up to a maximum of $5 million per year is collected from state use, sales, and income taxes related to these facilities. The PSDA also includes local income and food and beverage taxes related to these facilities. The tax collected is dedicated to pay debt obligations relating to Conseco (now Bankers Life) Fieldhouse.
- In 2005, the PSDA was changed to include LOS as of July 1, 2007. An additional $11 million per year was allocated from the State related PSDA taxes for a total maximum amount of $16 million per year. The additional $11 million is dedicated to debt service obligations related to LOS and the ICC expansion of 2005. After June 2017, the entire $16 million will be dedicated to debt service obligations related to LOS and the ICC expansion; however, the local related PSDA taxes will continue to be dedicated to pay debt obligations relating to Bankers Life Fieldhouse.

- In 2009, the PSDA was expanded to include hotel sites in the area bounded on the east by Illinois Street, on the south by Maryland Street, and on the west and north by Washington Street. The expansion includes state income, sales and use taxes and COIT taxes related to activities at the hotel sites. These taxes must be used to pay usual and customary operating expenses at CIB facilities.

The important difference in tax supported local government activity in St. Louis as compared to Indianapolis is that the above-listed inventory of CIB taxes are received by the CIB. The CIB budget must be approved by the Indianapolis City-County Council but the taxes are reported in the CIB CAFR, not the CAFR of the City of Indianapolis or of Marion County. In the case of the St. Louis Convention and Visitors Commission and the St. Louis Regional Convention and Sports Complex Authority, the taxes are received by the City of St. Louis and St. Louis County and must annually be appropriated to the Commission and the Authority. As stated in the 2012 CIB CAFR, the tax revenues not accounted for in the regional comparison total $138,776,442 (pg. 56).

Contrary Evidence

In 2005 the *Urban Affairs Review* published a study by Moore, et al., which measured the relative efficiency of 11 municipal services in 46 of the largest cities in the United States over a period of 6 years.[17] Reproduced below is Table 4 from their study.

TABLE 4: Overall Service Efficiency Rankings

Rank	*City*	*Rank*	*City*
1	Phoenix	24	San Diego
2	El Paso	25	Fort Worth
3	Tulsa	26	Sacramento
4	Memphis	27	Charlotte
5	Nashville	28	Cleveland
6	San Antonio	29	Cincinnati
7	Dallas	30	Albuquerque
8	Virginia Beach	31	Miami
9	Indianapolis	32	Austin
10	St. Louis	33	Boston
11	Santa Ana	34	Philadelphia
12	Toledo	35	Atlanta
13	Kansas City	36	Minneapolis
14	Milwaukee	37	Portland
15	Fresno	38	Baltimore
16	Oklahoma City	39	Omaha
17	Tucson	40	Buffalo
18	Jacksonville	41	Detroit
19	Denver	42	San Francisco
20	San Jose	43	Seattle
21	Columbus	44	Las Vegas
22	Long Beach	45	Honolulu
23	New Orleans	46	Oakland

The study documents that Indianapolis and St. Louis are in the top 10 cities of the national sample, ranked #9 and #10 respectively. St. Louis was ranked #1 in one of the eleven service areas, Indianapolis did not have any #1 rankings.

[17] Moore, A., Nolan, J., and Segal, G. (2005) "Putting out the trash: measuring municipal service efficiency in U.S. cities," *Urban Affairs Review*, 41(2), pages 237-259.

Moore, et al. used the rigorous research methodology data envelopment analysis (DEA), a nonparametric efficiency measurement technique that is popular in academic literature for assessing the relative performance of government services.[18] DEA allows the user to calculate relative efficiency of a decision making unit with the same inputs and outputs. DEA is a benchmarking technique, and helps answer questions of comparative price, allocative and technical efficiency when there are several input and output variables. As a result, the technique can help answer a question such as "how efficient is one decision making unit compared to others?" The finding by Moore et al. of comparable efficiency in Indianapolis and St. Louis would indicate further research would be warranted to confirm a conclusion of gross excess spending on local government services in the case of St. Louis.

Issues of Methodology

The Moore, et al., study indicates that differing methodologies of comparing intermetropolitan service delivery can produce different results. There are other methodological issues to consider regarding the regional comparison report.

A flaw of the point-in-time analysis used in the regional comparison report is the failure to allow for the dynamics of endogenous and exogenous factors that affect local government expenditures. The endogenous factors can be response to emergency conditions or planned increases. The exogenous factors include the national economy and the policies of state government. While the economy may have a similar effect across metropolitan areas (e.g., the Great Recession), variations in state policy regarding the scope and scale of state services can significantly impact the level of expenditures by local governments.

For example, townships in Indiana, accounting for more than 40 percent of the local governments, represent a more significant governmental unit than in Missouri. There are nearly twice as many townships in Indiana as there are cities and towns.[19]

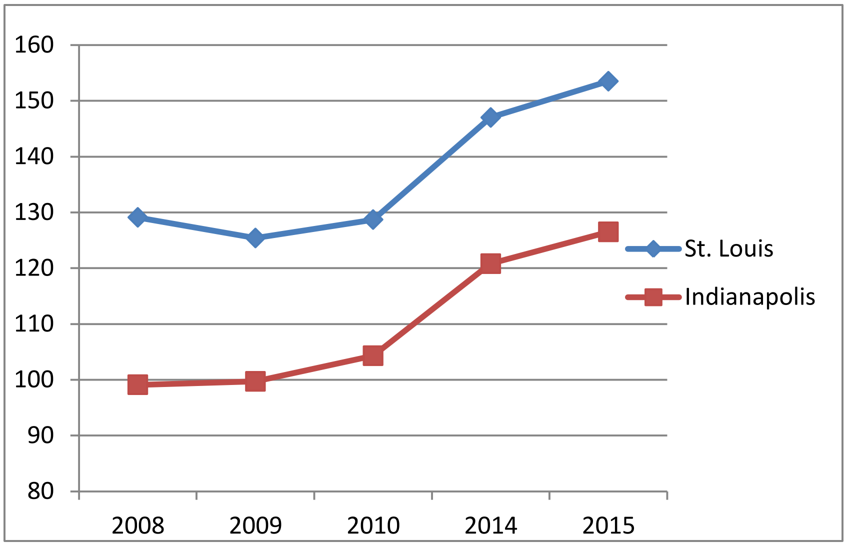
Another issue is that per capita expenditure is one indicator of local government performance. Gross metropolitan product is another.[20] St. Louis is ranked 22nd nationally and Indianapolis 25th in the size of the gross metropolitan product. As shown in Figure 2, in the years since the Great Recession the St. Louis gross metropolitan product has grown at a slightly, but not appreciably lower rate than Indianapolis (St. Louis 19.3%, Indianapolis 21.3%).

[18] Afonso, A. and Fernandes, S. (2008), "Assessing and explaining the relative efficiency of local government," *The Journal of Socio-Economics,* 37(5), pgs. 1946-1979.

[19] https://www.agecon.purdue.edu/crd/localgov/Second%20Level%20pages/topic_localgov_overview.htm

[20] Gross Metropolitan Product is calculated annually by the Bureau of Economic Analysis. It is a measurement of the total output of goods and services within a given metropolitan area. http://www.bea.gov/regional/

Figure 2
Gross Metropolitan Product



Source: U.S. Conference of Mayors

Another indicator of the impact of local government can be derived from detailed economic activity. Table 3 reports data on the number of employees, the amount of payroll and the number of business in 2005 (prior to the Great Recession) and 2013 (3 years into the post-Great Recession recovery). Overall the City of St. Louis and St. Louis County are approximately 2 percent behind Indianapolis in recovering the number of pre-recession jobs, but are ahead in growth in payroll and the number of businesses.

Table 3

Economic Performance Pre- and Post-Great Recession

	2005			2013			Change 2005-2013		
	employees	payroll (billions)	businesses	employees	payroll (billions)	businesses	employees	payroll (billions)	businesses
City of St. Louis	269,535	$11.4	10,189	223,481	$11.3	9,794	-0.171	-0.010	-0.039
St. Louis County	570,736	$23.1	30,223	559,606	$28.8	30,847	-0.020	0.246	0.021
Subtotal	**840,271**	**$34.5**	**40,412**	**783,087**	**$40.1**	**40,641**	**-0.068**	**0.162**	**0.006**
Marion County	**533,147**	**$21.7**	**24,223**	**508,703**	**$25.2**	**22,741**	**-0.046**	**0.158**	**-0.061**

Source: County Business Patterns

In addition to economic impact a study that compares metropolitan areas only on the per capita cost of service renders no judgment on the quality of the service provided. In his article in *Social Indicators Research*, Shin notes, "Single standard criteria often fail to reflect the more realistic bases of judgment held by the constituents of urban services. The quality of public services should be considered as a *multi-criterial* evaluative concept and should be examined by a multitude of standards if we are to avoid the pitfalls and limitations of the single-standard criteria."[21] There is a long-established and extensive literature on the importance of including measures of quality in comparing local government services and the methods for doing so.[22]

Summary

While there are potential lessons to be learned by a metropolitan area through contrasting the cost, quality, and impact of its governmental structure, there are many factors which must be accounted for to have confidence in the veracity of the analysis. This case study, for example, could be strengthened by accounting for differences in Indiana and Missouri laws governing the incorporation of municipalities and special districts and any differences in state expenditures that often affect the cost of local government. Further investigation of individual service areas, such as police and fire, public health, public works, and transit could provide valuable insights as to why the cost of government is higher or lower in different cases.

The literature on metropolitan reform identifies 38 consolidated city-county governments, including Indianapolis-Marion County and Louisville-Jefferson County.[23] In addition there are lessons that may be learned from cases such as Baltimore and Denver that were established with a county and municipal structure that have a single municipal government and a single county government. There should be further investigation of this larger number of cases. Social scientists always note the error that can occur from projecting the findings of a limited sample size not selected at random onto another population or case.

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[21] Shin, D.C. (1977), "The Quality of Municipal Service: Concept, Measure and Results," *Social Indicators Research*, 4(1), pages 207-229.

[22] Folz, D.H. and Lyons, W. (1986), "The Measurement of Municipal Service Quality and Productivity: A Comparative Perspective," *Public Productivity Review*, 10(2), pages 21-33.

[23] Leland, S. and Thurmaier, K. (eds.) (2010) *City-County Consolidation; Promises Made, Promises Kept?* Washington DC: Georgetown University Press; Boyd, D. (2008) *Layering of Local Governments & City-County Mergers* http://www.nyslocalgov.org/pdf/Layering_Local_Govts_City-County_Mergers.pdf