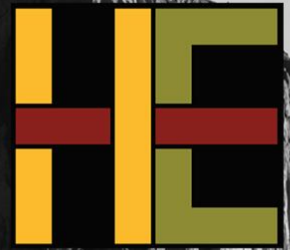


ON THE OTHER HAND

THE NEWSLETTER OF HARVEY ECONOMICS



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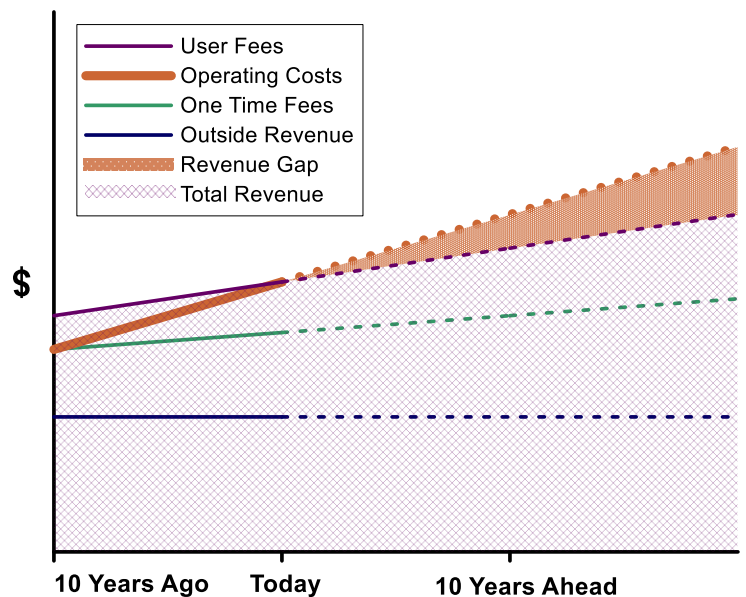
October 2018

The Public Cry to Government: Why Should We Pay for (fill in the blank)?

At Harvey Economics, we note a conundrum many of our public sector clients face: the customers they serve are increasingly impatient about paying for the services they receive. This impatience probably stems from many perceptions about government's service to the public, including the quality or effectiveness of that service, or even whether the service should be offered at all. Capital expenditures for shiny new facilities are one thing, but the operation and maintenance costs to keep them functioning are something else. One growing source of skepticism we see relates to the public good phenomenon: we are paying for something that should be inherently free, i.e. the air we breathe.

A prime example of the public good dilemma rests with the role governments have taken to secure open space. In the urbanizing areas of the U.S., public sentiment generally favors some form of preservation of open space. In carrying out the majority's wishes, public entities have purchased lands or set aside property for open space purposes. Subsequently, the public naturally wants to enjoy the lands they have purchased, leading to costs for upkeep, safety, etc. The public's interest in paying for those costs? You guessed it.

The unglamorous task of addressing public sector costs then falls to us financial types. We must carefully identify sources of present and future costs and identify revenue sources to meet those expenditures. We ask the question: Who should pay for those costs and how?



Should a cost be borne by all taxpayers (e.g. property taxes), users of the service (charge per unit of use), or someone else (the Feds, the State, "sin" taxes)? The pros and cons of utilizing alternative revenue sources must be discussed. Public meetings and Board meetings, like Harvey Economics has employed for the City of Fountain Utilities, work well for such discussions. We do have tools to ease the pain, such as phasing or borrowing, and we bring them out when appropriate. One emerging consensus is that those who utilize a resource should pay for it. Users often do not accept that without a struggle, however.

Cost recovery is mundane stuff, but all levels of government avoid the basic concepts at their peril. A non-proactive approach will surely fail. Two-way communication allows service providers to hear public concerns and informs affected stakeholders about immutable financial responsibilities. Bringing the public into those decisions, armed with full knowledge of the costs, offers a path to building support.

HARVEY ECONOMICS IN ACTION

HE recently completed a Parks and Open Space fee study for Larimer County. Many entrance fees and camping fees at County properties had not been adjusted for 10+ years. With increased visitation and rising operating, maintenance and replacement costs, user fees are currently insufficient to fund operations. Numerous advisory board and public meetings were required to reach a consensus about the path forward, which includes increased user fees and other revenue generation strategies. Read more about HE's work in Larimer County in this news article: [Larimer County Commissioners Express Concern over Devil's Backbone Fee Proposal](#)

EXTENSIVE EXPERIENCE ACROSS MANY INDUSTRIES

Our client list is diverse, covering a range of public and private concerns, government agencies and corporations. We work in many areas including Water, Natural and Environmental Resource Economics, Tourism and Recreation, Energy, Minerals, Litigation Support, NEPA, and Agriculture. Regardless of the endeavor, the types of questions that guide our team are fundamental.

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