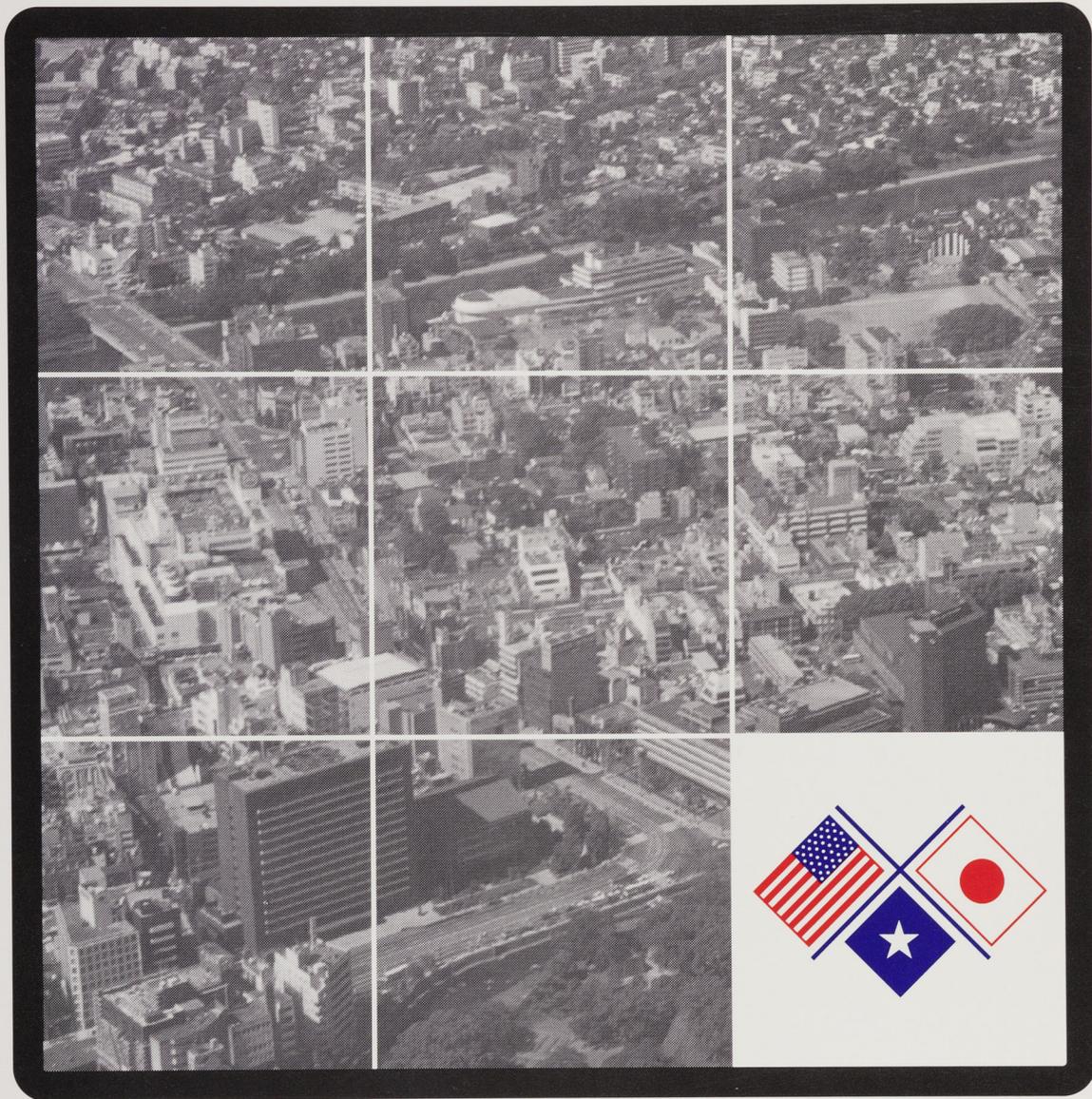


Managing the Metropolis in Japan and Texas

Sister City Relationships, Municipal Finance, and Urban Economic Development Projects



日本及びテキサス州都市運営

**Lyndon B. Johnson School of Public Affairs
Policy Research Project Report
Number 94**

**Managing the Metropolis
in Japan and Texas**
**Sister City Relationships, Municipal Finance,
and Urban Economic Development Projects**

**A report by the
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Foreword

The Lyndon B. Johnson School of Public Affairs has established interdisciplinary research on policy problems as the core of its educational program. A major part of this program is the nine-month policy research project, in the course of which two or three faculty members from different disciplines direct the research of ten to twenty graduate students of diverse backgrounds on a policy issue of concern to a government agency. This "client orientation" brings the students face to face with administrators, legislators, and other officials active in the policy process and demonstrates that research in a policy environment demands special talents. It also illuminates the occasional difficulties of relating research findings to the world of political realities.

This report on Japan-Texas sister-city relations is the result of a policy research project conducted in 1989-90 under a grant from the Japan-United States Friendship Commission. The principal sources for this report are interviews with sister-city directors, an April conference of sister-city participants, and detailed research. Participating students also prepared a study of municipal budgeting practices in Japan and Texas. In addition, the students conducted comparative studies of Kumamoto Castle Park and the San Antonio River Walk. The policy research project team hopes that its findings will prove useful to individuals involved in sister-city relations.

The LBJ School curriculum aims not only to develop effective public servants but also to produce research that will enlighten and inform those already engaged in the policy process. The project that resulted in this report has helped to accomplish the first task; it is our hope and expectation that the report itself will contribute to the second.

Finally, it should be noted that neither the LBJ School nor The University of Texas at Austin necessarily endorses the views or findings of this study.

Max Sherman
Dean

Executive Summary

At the time of this writing, there are eight Japan-Texas sister-city relationships. Successful sister-city pairings have support from three sources: municipal government, the business sector, and various community groups. The San Antonio-Kumamoto relationship currently seems to be the most active one because it has support from all three sources. However, the numerous economic and educational exchange programs associated with most sister-city partnerships provide significant benefits to Japanese and Texans alike.

In both Japan and Texas, municipal budgets supply a sizable amount of the funding for sister-city programs. Although Japanese and Texas cities have similar forms of government and budgetary processes, their revenue and expenditure patterns differ markedly. The dissimilar roles played by municipal government in the two societies accounts for most of the spending pattern differences. Texas cities provide the traditional goods and services of American local government: police and fire protection, and public works. Here, the federal government has an expansive role in social service delivery. In Japan, on the other hand, municipal governments supply most social services, while prefectural governments furnish police and fire protection.

Dissimilar levels of fiscal autonomy explain most of the revenue pattern differences. Texas cities are financially more independent, relying less on intergovernmental transfers for their income. In contrast, Japanese municipalities depend more heavily on grants from the national and prefectural governments. The resultant ties to higher authorities cost Japanese cities some independence, but in return those cities have more resources available to them. In fact, Japanese cities' budgets are more than twice the size of comparable municipal budgets in Texas. Consequently, Japanese cities spend much more money on their sister-city programs than Texas cities do.

Kumamoto's Castle Park and San Antonio's River Walk are major tourist attractions in their respective cities. Castle Park's development demonstrates the decisive role a Japanese city, in cooperation with prefectural and national authorities, can play in public projects. Meanwhile, the River Walk illustrates how a mixed, public-private economic venture can perform a similar role in Texas. Both projects generate broad streams of indirect benefits including income from tourism, flood control, improved aesthetics, and historic preservation.

Chapter 1. Introduction

This report presents findings from a project conducted during the 1989-1990 academic year by faculty and students in the Lyndon B. Johnson School of Public Affairs at The University of Texas at Austin. The project's sponsor was the Japan-United States Friendship Commission. The overall project involved five interrelated activities. First, it helped train American graduate students for public-sector careers involving Japan. Second, as part of that training, it examined different ways Japanese and Texas cities manage similar urban problems. Third, it brought the participating graduate students together with Japanese and Texas mayors, city councilmen, department heads, scholars, and policy experts to discuss these problems. Fourth, it began an exchange of public-sector internships between Japan and Texas. Fifth, it facilitated development of institutional ties between western Japan and Central Texas. Therefore, before proceeding to the report's findings, a brief word about the success of these activities is in order.

Eleven public affairs graduate students enrolled in the year-long course associated with the project. The course familiarized those students with the main aspects of Japan's history, culture, society, economy, and government. In addition, as part of the course, the students: (1) investigated the management of eight Japanese-Texas sister-city relationships; (2) translated the Texas cities' budgets into a Japanese format and compared municipal finances in the two countries; and (3) analyzed the origins and operations of San Antonio's River Walk and Kumamoto's Castle Park.

Three participating graduate students also served in internships with Japanese municipal and prefectural governments. During the summer of 1990, two interns worked on Mayor Yasumoto Tajiri's staff in Kumamoto City, while another intern served on Governor Morihiko Hiramatsu's staff in Oita Prefecture. Furthermore, Governor Hiramatsu and Mayor Tajiri each agreed to send a staff member to The University of Texas at Austin for intensive English-language study, participation in the Texas Governor's Executive Training Program at the Lyndon B. Johnson School of Public Affairs, and a three-month internship in a Texas state or municipal government agency.

Beyond course work and the establishment of an internship exchange program, the project had four more noteworthy accomplishments. First, it brought together all Texas program directors for a conference on managing Japanese sister-city relationships. The conference gave the directors an opportunity to

hear the students' preliminary project report and to exchange views with one another. Second, the project stimulated successful searches by Austin for a Japanese sister city (Oita City) and by The University of Texas for a Japanese sister institution (Oita University). Third, the project invited a dozen Japanese local government officials, scholars, and policy experts to campus as guest lecturers, three of whom also made hour-long broadcasts in KUT-FM's "Asian Communique" radio series. These lectures and broadcasts further heightened interest about western Japan, both on campus and in Central Texas. Fourth, through the Japan-United States Friendship Commission's assistance, the project supported acquisition of additional Japanese-language texts and statistical yearbooks on city government for the Asian Collection of The University of Texas at Austin's Library.

The project report presents information and analysis on three urban management policy areas common to both Japanese and Texas cities. The purpose of this analysis is to raise the level of official and popular awareness of sister-city relationships, municipal finance, and urban economic development projects in the two countries. This awareness is essential for making informed decisions about the costs and benefits of international partnerships between subnational governments. Accordingly, each of the following three chapters examines a different policy area.

Chapter two investigates how Texas and Japanese sister cities establish, maintain, and expand their respective, bilateral relationships. To gather the requisite information for this chapter, the faculty-student research team designed the questionnaire contained in appendix A. The students subsequently used the questionnaire to conduct face-to-face interviews with Texas municipal officials in January 1990. The officials' answers to the questionnaire comprise most of the information base for the chapter. The chapter opens with a brief description of when and how Japan-Texas sister-city relations began. Next, it discusses in depth the factors contributing to a good sister-city partnership. Those factors include the Texas sister-city program director's background, communications between sister cities, and the sources of support for sister-city relations. After investigating the funding that sister-city programs receive, the chapter reports details of various program successes. Finally, the chapter closes with a discussion of gift giving and other interactions involving sister-city program directors.

Chapter three focuses on financial management problems common to forty Japanese and eight Texas cities, as well as the different approaches they have adopted for solving them. This study makes use of a large, rich Japanese municipal data set previously assembled during three summers of research. It includes revenues by source and expenditures by function, as well as a wide variety of socioeconomic and political variables. Because the information it contains consists of annual observations for the period from

1970 through 1988, it can support both cross-sectional and time-series analyses. In contrast, the faculty-student team had to collect and transcribe, enter into computer banks, then disaggregate and reformat the Texas data before they were ready for comparison with the Japanese data.

This chapter begins with a discussion of the reasons why municipal budgetary processes in Japan and Texas are similar. Next, it presents a brief description of how city budgetary processes work and why fiscal priorities tend to be stable over time. It then explains the rationale behind the classification scheme used to compare municipal revenues and expenditures. After giving an overview of the cities studied, it goes on to analyze their general funds and public enterprise funds on a comparative basis. The chapter ends with several conclusions about the constraints budgetary realities place on municipal governments' economic development and sister-city efforts.

Chapter four investigates two problems in local economic development selected for their immediate interest to real-world decision makers. On the one hand, San Antonio wanted to know more about Kumamoto's success in managing its green spaces, particularly the Kumamoto Castle grounds, on a fee-for-service basis. On the other hand, Kumamoto was interested in learning more about the public-private partnerships and city marketing associated with San Antonio's management of its River Walk commercial district. Moreover both San Antonio and Kumamoto were especially curious about how the other city financed such projects.

As a result chapter four has two sections. Each section starts with a project history. Then, in the section on Kumamoto Castle Park, there is a discussion of the Castle's restoration, its development as a tourist attraction, and its current management. After the project history, the section on the River Walk summarizes measures taken to control the river, beautify it, and develop it commercially. The chapter concludes with an overview of the three organizations responsible for the River Walk's management and an analysis of its overall operations.

Chapter 2. Japan-Texas Sister-City Programs

INTRODUCTION

Following World War II, the international community began to become more integrated. Once-sovereign borders started giving way to worldwide financial markets and trading networks. At the same time, the leaders of many nations realized that establishing permanent, direct relationships among the citizens of different countries might be an effective method for promoting world peace.¹ Accordingly, in 1956, President Dwight D. Eisenhower urged American cities to join forces with foreign municipalities in forming sister-city partnerships.² As a result, more than 800 American municipalities subsequently have developed their own direct relations with 1,200 sister cities in 87 countries.³

Texas is fortunate in having municipalities that actively participate in sister-city programs. Moreover, during the last decade, the number of participating cities has grown remarkably as the state has sought to broaden its international contacts. Due to the increased importance of the Far East generally, many Texas municipalities have been especially interested in initiating sister-city relations with their Japanese counterparts. At the time of this writing, there are eight official, Japan-Texas sister-city partnerships. In alphabetical order, they are Beaumont-Beppu; Canyon-Minakami; Corpus Christi-Yokosuka; Fort Worth-Nagoya; Galveston-Niigata; Houston-Chiba; Pasadena-Hadano; and San Antonio-Kumamoto.

These eight Japan-Texas sister-city relationships differ considerably in scope. Nevertheless, their common raison d'etre lies in bringing the Japanese and American peoples together. Marian Lochs, superintendent of Corpus Christi Parks and Recreation, recognizes this purpose in saying that mutual understanding is the source from which all other benefits of sister-city relations flow. In her view, the educational process occurring through sister-city exchange programs leads to a sophisticated knowledge of each other's society. By assimilating that knowledge, participants in sister-city programs become better prepared to foster lasting economic and mutually beneficial, cultural and economic ties.⁴

Six of the sister-city pairings clearly embody this sophisticated understanding. The San Antonio-Kumamoto and Fort Worth-Nagoya relationships appear to be particularly active. Pasadena-Hadano, Corpus Christi-Yokosuka, Galveston-Niigata, and Houston-Chiba have strong programs too. Lack of commitment and loss of key personnel led to a dormant relationship between Canyon

and Minakami. Due to partisan political changes in Beppu, the Beaumont-Beppu partnership also was inactive for several years. However, Beppu's newly elected government now is eager to reactivate its relationship with Beaumont.

HISTORY AND BACKGROUND

The earliest Japan-Texas sister-city relationship began in 1964 between Hadano and Pasadena. Among the eight sister-city partnerships surveyed, the Corpus Christi-Yokosuka, Galveston-Niigata, and Canyon-Minakami pairings occurred in the 1960s. During the 1970s, only Houston and Chiba formed a new partnership. Then in the 1980s, three additional Texas cities forged ties to cities in Japan. The new pairs were Fort Worth-Nagoya, San Antonio-Kumamoto, and Beaumont-Beppu.

Among existing international partnerships in Texas, the negotiating time before initiating a sister-city relationship averaged two years. Typically, interested parties expend much of this time searching for a suitable sister city. The selection criteria for sister-city pairings were unique to each case. However, the primary reason for starting sister-city relationships during the 1960s usually was cultural. For example, the Galveston-Niigata relationship began with a desire to bring the East and West together in mutual understanding.

One Texas city, Pasadena, had religious as well as cultural reasons for creating its relationship with its Japanese partner, Hadano. In 1964, a missionary from Pasadena's Ritchie Street Baptist Church became enamored of Hadano and its people. Following his return to Texas, he convinced his pastor and Pasadena's mayor to start sister-city relations. Hadano's significant, active Christian population played, and continues to play, a strong role in the relationship. Thus, to this day, the underlying strength of the Hadano-Pasadena relationship is both cultural and religious.

Cities that established relations in the 1980s also were interested in cultural exchanges. By then, however, economic reasons had become the driving force in forging new sister-city partnerships. For example, San Antonio-Kumamoto and Fort Worth-Nagoya all had an economic focus at the start of their relationships. According to Elizabeth Costello, San Antonio's director of international relations, Americans currently intend to use sister-city relationships as a tool for gaining entry to the Japanese market. For example, San Antonio hopes to export to Japan such diverse products as local artwork, mesquite wood products, and air freshener scent sticks. In addition, San Antonio wants to attract more Japanese tourists. Ms. Costello reports that the average Japanese tourist spends \$550 per day in the city. Because tourism is San Antonio's second largest industry, increasing the number of these affluent tourists obviously should benefit the

city's economy. San Antonio's actions are part of a larger Texas effort to expand trade with Japan. The recent opening of a Tokyo office by the Texas Department of Commerce exemplifies that effort.⁵

Other factors, such as geographic comparability, military ties, and economic compatibility, also helped bring sister cities together. Houston-Chiba represents a sister-city partnership with a geographic component as the basis for the relationship. Both these cities have harbors, where they export and import large quantities of products. Hence, their international ties are especially strong. Likewise, Corpus Christi and Yokosuka are both port cities with U.S. Navy bases, while San Antonio and Kumamoto share a common interest in biotechnology.

However, the underlying reason for starting some sister-city relations is interpersonal rapport. Negotiations and the drive to establish relations often occur as a result of meetings between Texas city officials and their counterparts in Japanese cities. Fort Worth-Nagoya is a prime example of a sister-city relationship that grew out of personal contact between the cities' respective mayors. On the other hand, the Houston-Chiba relationship is an example of a partnership created by the efforts of a private organization, the Japan America Society of Houston, which initiated the program. In fact, N. L. "Bud" Allison, the executive director of the Japan America Society of Houston, is the director of the Houston-Chiba sister-city relationship. Mr. Allison uses both his Japanese and Houston business ties to further the Houston-Chiba sister-city program.

Another factor in the overall success of sister-city relationships seems to be well-defined goals. Fort Worth-Nagoya and San Antonio-Kumamoto are the only sister-city pairs with specific, written goals. Significantly, both relationships appear to be very active.⁶

For its part, San Antonio has eight other sister-city relationships, of which four are active and four are relatively inactive. Houston has six more of its own, although weak central coordination makes it difficult to determine how successful each relationship is. Corpus Christi has three other sister cities, while Fort Worth and Galveston have two each with high and moderate involvement, respectively. Beaumont, Canyon, and Pasadena each have one sister-city partner. As noted earlier, two of the latter three cities have had difficulties with their partnerships. Evidently, the number of sister-city relationships correlates positively with a municipality's active interest in international relations. On the other hand, too many partnerships or a resource base that is too small appear to limit the effectiveness of sister-city relationships. Thus, between two and four relationships seem to work best.

SPONSORSHIP

A sister-city program is only as strong as the amount of governmental, business, and private, or community sponsorship it receives. The degree of support varies among the sister-city programs studied. Strong relationships, including Fort Worth-Nagoya, San Antonio-Kumamoto, and Pasadena-Hadano, receive substantial governmental, private and business assistance. In contrast, Galveston-Niigata and Corpus Christi-Yokosuka receive lesser amounts of such support. Nevertheless, these cities have successful, albeit smaller, programs. Although it involves large cities, the Houston-Chiba relationship receives only minimal sponsorship from Houston's city government. The city's sporadic assistance makes it difficult for Mr. Allison to sustain an effective sister-city relationship.

One way to analyze the extent of local government support is to examine the nature of direct city involvement in the relationship. For example, one can examine the amount of money appropriated by the city for full-time and part-time workers assigned to each sister-city program. The majority of cities reported having only part-time help with their partnerships. For instance, Pasadena allows John Melcher, chairman of Pasadena's Sister-City International Committee and normally Pasadena's director of emergency communications, to wear his sister-city director hat for a few hours every week. When a major event approaches, he can dedicate more time to the relationship. Mr. Melcher draws upon some 20 to 25 employees from other departments to help staff sister-city events.

Such a pattern of support from other departments is typical of successful relationships. For the most part, sister city programs get some help from another city department at one point or another during the relationship. The type of aid given by other city offices varies, but as the three examples below show, most assistance originates in the executive branch. First, the sister-city program in San Antonio receives extensive support from the mayor's and city manager's offices. For example, Mayor Lila Cockrell assigned personnel such as police officers and parks department workers to help with the recent Kumamoto City Fair. Second, in Corpus Christi, the mayor's office provides public-relations assistance as needed. It furnishes exchange students with certificates, makes them honorary citizens, and allows them to attend City Council meetings. Third, in Fort Worth, the Parks and Recreation Office grants in-kind support. Typically, that support comes in the form of free office space.

In addition to material assistance from other departments, city employees aid San Antonio's program. Fort Worth has two and San Antonio has three full-time employees working on sister-city relationships. Full-time employees encourage continuity and help maintain steady communication with sister cities. These full-time

employees' efforts partly explain why Fort Worth and San Antonio enjoy particularly strong sister-city relationships.

If the number of employees indicates commitment to a partnership, then Japanese cities often demonstrate a stronger commitment than their American counterparts. Take Kumamoto for example. It has assigned thirteen full-time employees to staff just two sister-city programs. According to Ms. Costello, the large personnel commitment by Kumamoto virtually assures that no sister-city activity will fail. Similarly, Hadano has six employees working exclusively on its relationship with Pasadena. Mr. Melcher described how Hadano's heavy program staffing enables the Japanese to maintain the relationship by providing resources Pasadena cannot.

DIRECTOR'S BACKGROUND

The Policy Research Project's survey included questions examining the background of program directors in order to understand the nature of sister-city sponsorship. Specifically, students queried directors about their educational background, international travels, foreign language ability, and work experience. Interestingly, some cities have directors who are public employees, while other directors are heads of such private organizations as the local chapter of Sister-City International or the Japan America Society. Mr. Melcher is an example of someone who is both a city employee and a private director of Pasadena's Sister-City International.

Three of the eight Texas sister-city representatives interviewed had some international work experience. San Antonio's representative, Ms. Costello, worked in the U.S. Embassy in Mexico City. In Pasadena, Mr. Melcher's participation in Sister-City International began in the early 1980s. Houston's representative, Mr. Allison, has international and travel experience of over 30 years including work with the Japan Export Trade Organization (JETRO). The remaining sister-city representatives had no prior work experience in international relations or a related field.

The type of work experience that directors find helpful varies with the requirements of each city's job description. Thus, in Fort Worth--a city with high municipal funding and a large, active program--experience in fund-raising helps. In Corpus Christi, a smaller, less active program has less need to raise funds. However, experience with appointed committees is important because a mayor-appointed Sister-City Committee runs the program.

Galveston's mayor historically has chaired the Galveston-Niigata program. Thus, prior work experience was not a criterion for Jan Coggeshall, the former mayor of Galveston. Nor was being a female mayor a hinderance. In Japan, men with traditional values

often view women as second-class citizens. In September of 1989, Niigata's mayor met with the chief executives of his three sister cities. However, Ms. Coggeshall stated that being a female mayor did not interfere in communicating with Niigata's leaders. She found the Japanese respected her status as a mayor rather than treating her as a second-class citizen.

Finally, there are no clearly defined guidelines for running sister-city programs. Each director must utilize his or her background in creative ways. Some people are able to take pieces of knowledge from disparate experiences and apply what they know to help the project at hand. Mr. Allison, the Houston-Chiba director, frequently relies on his network of contacts to accomplish various tasks associated with the sister-city partnership. He can draw upon the numerous members of Houston's Japan America Society or the Japan Export Trade Organization (JETRO). Aside from contacts and past experience, the sister-city directors' teaching and committee experience fosters flexibility and ability to meet successfully the challenges posed by sister-city relationships.

COMMUNICATION BETWEEN SISTER CITIES

According to the survey, good communication rated highest among the skills needed by a program director. Most frequently cited were language ability and the capacity to empathize with people. One representative mentioned writing skills. Not surprisingly, given the geographical location of Texas, most representatives speak Spanish. Although skill and proficiency vary, all directors demonstrate an interest in foreign languages. Besides Spanish, other foreign languages they speak include Italian, German, Greek, Finnish, and Swedish.

Perhaps due to an interest in other languages, the sister-city relationship seems to encourage directors to acquire some Japanese language skills. Four representatives are learning Japanese. To the extent that language reflects its native culture, a possible benefit may be an increased understanding of the Japanese people. Accordingly, it may be significant that as of yet no representatives are fluent in Japanese. Despite this shortcoming on the American side, sister-city program directors reported that communication does not pose a serious problem because their Japanese counterparts speak English well.

Many representatives also believe some kind of international orientation to be important. They gave specific examples such as belonging to an International Club or working in a U.S. Embassy. Other representatives were more general. They listed living and working in a foreign country, as well as studying different cultures.

Only two representatives rated personal contacts important. One of them, Mr. Melcher, believes contacts are a necessity. For example, he believes that his experience in public administration provided him with many useful connections. These connections are valuable because part of his job description as a sister-city director is to secure funds for his program.

Other representatives found past committee and government experience to be quite helpful. However, contacts outside the relationship or the government are beneficial too. Marjaana Cich, staff liaison for the Corpus Christi-Yokosuka relationship, cited ability to work with the media as particularly advantageous.

Because of the solid experience of sister-city representatives, just a few cultural barriers have hampered communication. Among those obstacles cited by representatives, several recurrent themes appeared. To begin with, a fundamental difference in the manner in which Japanese and Texans conduct themselves sometimes led to moments of awkwardness. Awkward moments occurred most frequently when an official with little or no prior experience with the sister-city program met Japanese visitors. In a few instances, brash remarks made by local Texas politicians left the Japanese delegation nonplussed. The Japanese expect a considered, more formal way of conducting international exchange. Usually, though, they soon accustomed themselves to the Texans' less formal style.

Nevertheless, the difference between Japanese and Texan approaches to protocol posed a cultural barrier in two relationships. These sister cities had problems with diverging attitudes towards organization, punctuality, and details. Corpus Christi, for instance, found that the Japanese always met or beat a project deadline. Japanese sister-city planners had to complete their projects on time in order to meet the demands of sister-city supporters. Texans, in contrast, tended to be more informal about deadlines. Their missed deadlines often proved frustrating for the Japanese.

Pasadena serves as an excellent illustration of the last case. The Pasadena Philharmonic committed itself to perform in Hadano. Regrettably, the orchestra was unable to uphold this engagement and cancelled its performance. The Philharmonic's decision, however, came after several of Hadano's council members had lobbied for funds to sponsor the concert. The withdrawal of the Philharmonic's commitment therefore caused a serious loss of face for the Japanese who had raised the money. While cancelling appointments in the United States is not an uncommon occurrence, the Japanese consider such behavior extremely insensitive. The faux pas temporarily strained the Pasadena-Hadano relationship because it embarrassed the Japanese and compromised the credibility of the Philharmonic. Now, Mr. Melcher insists that groups understand the need to honor their commitments in order to prevent any further misunderstandings.

One way to overcome some of these problems in communication between Texas sister-city representatives and their Japanese counterparts is to learn from the experience of others. Texas directors placed a high value on communication among themselves, regardless of the success of their particular relationship. The directors' response was overwhelmingly in favor of a Sister-City Representative Conference, held this spring in Austin, to exchange information. Approximately forty people connected with sister-city programs in Texas and other states attended (see the list in appendix B for the principal attendees' addresses). Tsering Yuthok, international community coordinator for the City of Seattle, and Yoshimi Minami, director of the Japan Local Government Center opened the conference with insightful presentations on sister-city relations. Students gave presentations on the development of San Antonio's River Walk, and Kumamoto's Castle Park, as well as on comparative budgeting in Japanese and Texas cities. Following a student report about the state of sister-city relations, the participants discussed their common problems at length. Free exchange of information gained from past experiences allowed each participant to obtain something useful from the conference. Sister-city representatives also learned about new resources available to them, such as Mr. Minami's Japan Local Government Center. The center fosters sister-city relations by improving mutual understanding between Japan and the United States.

PRIVATE SUPPORT

Besides support from local government, sister-city programs in most Texas cities receive aid from volunteers and other organizations. Assistance usually comes from either the local Japan America Society or a sister-city committee affiliated with each municipality. Other categories of volunteers come from schools and various community groups. For example, in Beaumont, a local Sister-City Commission augmented the city's ties with Beppu. In Corpus Christi, numerous host families, a museum, a local college, and a girls' organization are the main sources of support. Volunteers bring the benefit of more personal contacts to the relationship. For instance, Bud Allison uses his connections with JETRO to make important business contacts for the Houston-Chiba sister-city program. JETRO is Japan's most prominent organization dedicated to increasing imports into Japan. Closely connected to the Ministry of International Trade and Industry (MITI), JETRO is principally responsible for helping foreign companies showcase their goods in Japan.⁷ Private sponsorship gained from organizations such as JETRO can be essential for strong economic ties. Typically, this sponsorship takes the form of donated funds, volunteers, services in kind, and publicity.

Support literally is the lifeblood of sister-city relationships. The ones which have prospered the most usually have received generous support from both the community and, as discussed

earlier, city government. In Fort Worth, Houston, and San Antonio, the local Japan America Society is one of the most important backers of the relationship. Pasadena and Galveston enjoy the support of volunteer sister-city committees. A similar sister-city committee heads Corpus Christi's program, although the mayor appoints the positions. In San Antonio, the local Chamber of Commerce is a major benefactor.

Civic organizations and institutions in a number of cities also frequently participate in sister-city relationships. San Antonio again leads the way in the number of organizations which support the sister-city program. In part, that is a result of Kumamoto's desire to have every organization establish a relationship with its San Antonio counterpart. Among the initial affiliations between San Antonio and Kumamoto were post offices, television stations, and Lion's Clubs.

The number of matched relationships in other cities varies. Galveston, Pasadena, Houston, Corpus Christi, and Fort Worth all have very large and active public school programs. These programs include pen-pal correspondence, student exchanges, art projects, lecture series, and other activities designed to help Americans understand Japanese culture. A 1989 trip by marching band members from Galveston's schools to Niigata exposed them directly to that culture. The trip also enabled them to serve as ambassadors of American culture for Galveston.

Directors believe the benefits of such institutional exchanges to be sufficiently important to justify their expansion. For example, Beaumont is hoping to rebuild its program along these lines. Recently, the sister-city staff has arranged for a Japanese exchange teacher from Beppu to work in the Beaumont public schools.

In addition, the Policy Research Project's survey polled sister-city directors about the level of local Japanese community involvement in the programs of the sister-city relationship. All three larger Texas cities, Houston, Fort Worth, and San Antonio, have Japanese communities which are active in the relationships. They mainly participate through their respective Japan America Society. Examples of their activities include translating texts, setting up displays, fund-raising, and contributing cultural expertise.

Thus, in a successful sister-city relationship, people make the difference. In all but two of the Texas cities polled, specific individuals have provided significant contributions. The San Antonio, Corpus Christi, and Galveston mayors have been prominent actors in the history of each of these partnerships. In San Antonio, former Mayor Henry Cisneros's enthusiasm was crucial to his city's successful formation of a sister-city pairing with Kumamoto. Because many dealings are between the mayors of Corpus Christi and Yokosuka, the role of the local chief executive is

important. In addition, several corporate sponsors, such as Southwestern Bell and Houston Lighting and Power, strengthen the Pasadena-Hadano relationship. Other key supporters are Pasadena's mayor and public school superintendent.

Representatives said that if these individuals withdrew their patronage, the Houston-Chiba, Fort Worth-Nagoya, Corpus Christi-Yokosuka, and Galveston-Niigata partnerships would experience deleterious effects. If the Japan America Society stopped volunteering, the Houston-Chiba sister-city partnership probably would disintegrate. For Fort Worth, the withdrawal of support from private benefactors would weaken its relationship with Nagoya. In Corpus Christi, Ms. Cich believes that without mayoral cooperation, the Japanese sister-city relationship with Yokosuka would dissolve. If the Galveston sister-city committee quit, the municipality's relationship with Niigata also would cease. Canyon states that its Japanese sister-city relationship would not have come into being without the key supporter, who became the program's director. Consequently, when the first director eventually moved away, the Canyon-Minakami relationship became dormant. Only the directors of Pasadena's and San Antonio's sister-city programs indicated the relationships could survive the withdrawal of assistance from major supporters.

BUSINESS SUPPORT

Another important element of support for a sister-city program is business patronage. Business community involvement in sister-city programs across Texas cities ranges from minimal aid to significant amounts of assistance. Such involvement is highest during major visits by Japanese delegations. For example, in Corpus Christi, Pasadena, and Galveston, the Chamber of Commerce helps with official receptions because businessmen often attend.

San Antonio has the most involved business community. Participation by that city's business groups in sister-city programs has included the Rivercenter Mall's role as a showcase for the Kumamoto Fair, banks paying hotel and restaurant bills for official visits, and the Super Shuttle Van Company providing free transportation for Japanese delegations. Similarly, business groups in Pasadena helped to defray lodging and transportation costs for Japanese visitors during sister-city programs.

Surprisingly, the business community participates minimally in the Houston sister-city relationship. This low level of participation is unfortunate because Houston has a significant international business presence. It not only hosted the 1990 Economic Summit, but it also is the site of such advanced industries as aerospace (the Johnson Space Flight Center), and biotechnology. Moreover, Houston's port ranked second among American cities in foreign tonnage in 1989.⁸ Clearly, solid

business sponsorship could help expand the number of Houston's sister-city activities. For all cities, business sponsorship lags far behind institutional and organizational support. Regretting this state of affairs, directors expressed a clear desire to gain more business patronage for their sister-city relationships.

FUNDING

Funding for sister-city partnerships is not contingent solely on city governments. On the contrary, fund-raising and donations from private sources often exceed the amounts cities budget for sister-city activities.

Accordingly, budget allocations from the municipal government differ widely from city to city. Half of the Texas sister-city programs receive some municipal funding. In 1989, San Antonio's International Department had the largest city funding at \$189,000, most of which went to financing its relationship with Kumamoto. Fort Worth was next with \$95,000, of which roughly \$25,000 supported its Japanese sister-city program. Pasadena's program received \$10,000, excluding employee hours dedicated to sister-city events. Corpus Christi allocated \$15,000 to support all four of its sister-city programs. Nevertheless, Corpus Christi drew heavily upon this fund to support its Japanese sister-city program.

Aside from government funding, almost all Texas cities enjoy some private contributions. Both Fort Worth and San Antonio estimated they received about \$300,000 each in 1989 from in-kind support and fund-raising. Clearly, such high levels of private funding underscore the strength of community support for Fort Worth's and San Antonio's sister-city programs. In Galveston and Corpus Christi, private groups tend to donate money for different events as needed. While receiving some private help, Houston's sister-city program must generate a large portion of its funding itself. This lack of governmental support weakens the Houston-Chiba program.

Texas expenditures for each sister-city relationship consist mostly of covering transportation costs. That is not a surprising fact because student exchanges are the crux of programming for some of the Texas sister-city relationships. Another large item of expense is entertainment for exchange-related functions. Other significant expenses mentioned were gifts for the Japanese sister city, communications (facsimiles, telephone calls, postage), and printing.

With regard to revenues, only Fort Worth estimates that it will receive more city funding for 1990-1991. Both Ms. Costello and Ms. Cich predict 1990-1991's funding will be the same as it was for 1989. The city of Pasadena will increase its current funding levels to help pay for official visits by Hadano and Pasadena

officials in Fall 1990. Mr. Melcher also is awaiting a golf tournament which will bring in additional revenue for Pasadena's program. In Houston, the prospect of funding from the municipal government is uncertain, but Mr. Allison remains hopeful that the city will offer more monetary support.

PROGRAMS AND EVENTS

It is important to understand what sister-city programs do with their funds. As stated above, American visits to Japan and entertainment for Japanese delegations constitute the largest expenditures of funds. In general, there are more Japanese visiting Texas than there are Texans visiting Japan. For example, in 1989 Kumamoto sent six delegations to San Antonio, while only four groups from San Antonio visited Kumamoto. Likewise in Fort Worth, in 1989, there were nine visits by Japanese officials, as opposed to the six visits to Nagoya by Texas delegations. Some of the other smaller and less well-funded sister-city programs had only a few instances of direct exchange. Pasadena hosted visits by two Japanese groups. Mr. Allison made the only official exchange visit to Japan for the Texas side of the Houston-Chiba program in 1989. Corpus Christi did not report any visits in 1989. In contrast, the Niigata sister-city officials' generosity made it possible for a Galveston delegation to visit Japan. Reflecting the strong Japanese commitment to maintain the sister-city relationship, Niigata purchased airline tickets for Galveston officials to fly there.

The frequency of communications between sister cities varies. Contact between San Antonio and Kumamoto was once daily, whereas Houston and Chiba only exchange monthly messages. The communication channels used most often by Japanese and American city officials are the facsimile and the telephone. The majority of communications pertained to student exchanges or travel arrangements.

To have an impact on the community, sister-city programs must make the public aware of their activities. Most sister-city representatives employ a variety of media to publicize their events. Newspapers frequently publish sister-city activity announcements. Some of the large Texas cities even use television. The sister-city representatives say that schools, business leaders, and the general public are the main targets of sister-city publicity.

A good indicator of a relationship's strength is the amount of media attention a sister-city program receives. Cities with particularly active sister-city relations, such as San Antonio and Fort Worth, enjoy a considerable amount of press coverage in a one-year period. For example in 1989, the Fort Worth media ran twenty-four stories on its sister-city program with Nagoya. Recently, The

San Antonio Light spotlighted the sister city program in a series of articles.⁹ In contrast, media in the other cities averaged only two or three stories about their relationships per year.

Most cities' programs met expectations. As mentioned earlier in this chapter, San Antonio's Ms. Costello noted Kumamoto's determination not to let any planned activity fail. The two municipalities plan all sister-city activities together. The Japanese provide enough resources to guarantee program success. Furthermore, Kumamoto city officials' use of a larger personnel pool has rescued several sister-city functions that otherwise might have foundered. The large number of employees allows Kumamoto to pursue many programs at once and to concentrate on seeing them through to the finish. In contrast, Ms. Costello's office often finds itself overextended by San Antonio's many international commitments. Essentially, Kumamoto with its large team helps alleviate some of San Antonio's personnel shortage.

The remaining two cities experienced varying degrees of difficulty or tension between sister-city program priorities and the city government's goals. In the first case in Corpus Christi, scheduling difficulties precluded Mayor Betty Turner's attendance at her reception for Japanese exchange students. The problem unfortunately necessitated the reception's discontinuance. Instead, the city now relies on less official functions for the exchange students.

The second instance reveals a more serious problem. In the case of Houston-Chiba, the Japan America Society carries on the sister-city relationship. Likewise, different community organizations are accountable for Houston's various other sister cities. Only a loose connection exists between the International Alliance of Protocol and each sister-city administrator. However, the Houston city government technically bears ultimate responsibility for all sister-city programs. Thus, a more decentralized system of sister-city administration characterizes the situation. Mr. Allison commented that lack of centralization caused some friction between the city government and the different sister-city organizations. Accordingly, the relationship between the government and those individuals actually administering the sister-city partnership has not met either Mr. Allison's or his Chiba counterparts' expectations.

Most directors believe that by working more closely with the Japanese they can build stronger relationships. Furthermore, by involving the Japanese in more program planning, the Texas directors find they can draw upon their Japanese partners' larger resources, much as Kumamoto helps San Antonio meet its goals. For example, Fort Worth already holds joint annual meetings which outline the upcoming year's activities. Expanding such planning efforts no doubt will benefit the sister-city program. Joint planning overcomes communication problems and better utilizes

resources by reducing duplication of efforts. Such joint planning also could benefit relations between pairs of smaller cities such as Pasadena and Hadano. Currently, the Hadano program's six-member staff sets the itinerary for its delegations to Pasadena in an effort to facilitate productive visits. Expansion of joint planning would allow Hadano's six full-time, sister-city employees to help alleviate Pasadena's overburdened, part-time staff.

BENEFITS

According to the directors, educational and cultural exchanges are the primary benefits of sister-city programs. Only San Antonio's director cited economic benefits. Nevertheless, increased sister-city activity may foster more economic gains.¹⁰ When deciding where to locate new facilities, Japanese companies frequently consider whether a city is friendly toward Japan. An active sister-city program demonstrates such friendliness. A program initially based on cultural and educational exchanges therefore potentially can lead to significant economic exchange too.¹¹

The Texas experience with Japanese sister-cities reinforces this point. It seems the more cultural and educational exchanges a sister-city relationship has, the greater its economic benefits. The questionnaire polled directors about economic exchanges that result directly from relations with a Japanese sister-city. A number of directors were unsure whether their sister-city program had fostered direct investment. For example, Mr. Melcher believed that the main impetus for a Japanese plastics firm's choice to locate near Pasadena was the result of several economic factors. He did note, however, that Pasadena's sister-city relationship impressed the plastics firm's executives. Mr. Melcher estimated the program to be worth about \$50 million over the next several years. Yet, no one notified Mr. Melcher of the firm's interest until after the Japanese company had made the decision to locate in Pasadena. He, therefore, could not be sure about the extent to which the sister-city program contributed to the Japanese desire to invest.

Mr. Melcher is not alone. A lack of adequate information is a major obstacle in answering this question. Sister-city directors simply are not always aware of all the business transactions involving Japanese businessmen which occur in their cities. Houston is a good illustration. As stated earlier, Houston has a strong international presence. The Japanese, in particular, view Houston as an important American city. Robert Klein, an international business consultant with extensive Far East experience, said, "the Japanese regard Houston as the third coast."¹² The Japanese have 120 companies with a presence in Houston, including Japan's largest newspaper, Nihon Keizai, which has a bureau there.¹³ Unfortunately, Houston's lack of sister-city program centralization prevented Mr. Allison from knowing if the

Houston-Chiba partnership influenced any of these Japanese companies' business transactions.

Galveston, Fort Worth, and San Antonio have a few large Japanese investment projects, as well as a number of smaller ones. For example, Mitsubishi's copper plant and JETRO Tour are both Japanese corporations with substantial investments near Galveston. Fort Worth expects H. Ross Perot's proposed Industrial Alliance airport to enjoy major Japanese investment support, too. In addition, a number of other projects and businesses in Fort Worth are Japanese owned or financed.

San Antonio has enjoyed several important economic benefits from Japanese investment. First, the Japanese founded Colin Medical Equipment, a biotechnology firm. Colin Medical currently is in the process of building a new \$5 million manufacturing facility in the city. Second, Japanese tourists continue to spend large amounts of money in San Antonio. Third, in April 1990, Sony Electronics, took over Advanced Microelectronics for \$5 million and will continue production. Fourth, Japanese companies have purchased Sonterra Country Club and plan to build a retirement community nearby. Fifth, Alcoa-Fujikura will move a division headquarters to San Antonio for one of that firm's maguila operations. Finally, a Japanese company planning to market American merchandise in Kumamoto spent \$100 thousand on consumer goods from San Antonio department stores. This large amount of economic activity parallels San Antonio's lively sister-city activities.¹⁴

As for the Japanese sister-cities, most directors believe that they enjoy mutual benefits. The directors cite both educational and cultural exchanges as the major rewards of the relationship. Mr. Melcher points out that visiting Japanese are extremely interested in Texas state and local politics. Ms. Costello also highlights specific benefits that Kumamoto enjoys, such as help in designing its own River Walk. Moreover, the sister-city relationship with San Antonio heightens visibility within Japan.

GIFT GIVING

Gift giving is especially important in Japanese culture. Therefore, the ongoing significant exchange of gifts is an essential and colorful indication of the strength of Japan-Texas sister-city relationships. Both the Japanese and Texans are enthusiastic about gift giving. Noteworthy exchanges of gifts occur between most pairs of cities. So, a number of the program directors have colorful stories to tell about gift giving.

Generally, the Japanese have given their American counterparts fairly extravagant gifts. Among them have been Japanese gardens (in both San Antonio and Corpus Christi), vases, a snow leopard, snow monkeys, intricate wood carvings, and kimonos. The Americans,

in turn, have sent the Japanese such uniquely Texan mementoes as armadillos, cowboy memorabilia, and artwork.

One rather unconventional gift, given by Mr. Melcher, was a ride in his private airplane for Hadano's English-speaking liaison officer. The officer, who had been unable to fulfill his life-long dream of becoming a pilot because he did not get into the Japanese Air Force, wept gratefully after the flight.

A few sister-city directors, notably San Antonio's and Fort Worth's, described difficulties with gift giving. In both cities, gift giving with Japanese partners escalated rapidly until it reached unsustainable levels. Consequently, program directors in Japan and Texas strove to reduce the amount of gifts exchanged to levels the cities more readily could afford. Finally, gift giving sometimes went beyond mere symbolic gestures of friendship. After a 1983 hurricane, Galveston received \$25,000 from Niigata to buy an emergency power generator. Thus, sister-city participants view gift giving as both a symbolic acknowledgement of their partnership and a sincere attempt to forge lasting ties of friendship.

CONCLUSION

Clearly, the strength of sister-city relationships varies across pairs of cities. However, that variation is not necessarily a function of the cities' size. Instead, several other factors account for the lively cultural, economic, and interpersonal exchanges associated with successful sister-city partnerships. Foremost among these factors on the American side is the extent of sponsorship from three primary sources: government, business, and other private, nonbusiness community support. Each source helps to build sister-city relationships into useful vehicles for international exchange.

City governments are particularly active in the San Antonio-Kumamoto, Fort Worth-Nagoya, and Pasadena-Hadano partnerships. Considerable achievements characterize all three of these relationships. On the other hand, Corpus Christi and Galveston enjoy substantial private, nonbusiness community assistance in their respective relationships with Yokosuka and Niigata. Such private sponsorship can improve sister-city programs by either substituting for government support or complementing it. Thus, Corpus Christi and Galveston have solid sister-city programs despite rather limited assistance from city hall. Finally, all sister-city directors view business community support for their activities as highly desirable. In the case of San Antonio, the solid support businesses give exchange programs involving Kumamoto is beginning to pay some handsome economic benefits.

Thus, the degree to which sister-city relationships draw support from these three sources largely determines the overall

strength of each relationship. For example, San Antonio's relationship with Kumamoto probably represents the strongest sister-city pairing because it derives large amounts of assistance from all three sponsorship sources. In contrast, although the Pasadena-Hadano partnership also is a good one, lack of business support limits its overall strength. Likewise, more assistance from businesses no doubt would heighten public awareness of the Galveston-Niigata sister-city partnership and boost resource availability for expanded school exchanges and more frequent official travel to Japan. On the other hand, the Houston-Chiba sister-city program already enjoys some business support. What it requires for its further strengthening is comparable assistance from city government.

Successful Japan-Texas sister-city relationships afford participating communities a number of benefits. The primary ones take the form of cultural and educational exchanges, with each exchange providing new ideas about insights into the partner's society. However, most directors also are interested in economic exchanges. While no other city has the extensive direct Japanese investment that San Antonio has, most successful relationships could point to some tangible economic gain. Significantly, cultural or educational exchanges appear to provide the basis for future economic interaction. For example, the history of such exchanges with Hadano created a favorable atmosphere for a Japanese plastics firm to locate in Pasadena.

In successful sister-city relationships, both the Japanese and the American partners enthusiastically support their exchange programs. The substantial funds the Japanese side often devote to their sister-city commitments demonstrates their determination to make these relationships work. On the American side, most officials believe that the Japanese have much to offer. They therefore approach exchange programs with a genuine desire to learn from Japan. Nevertheless, the programs seem to function best when sister-city participants are able to develop sincere, interpersonal rapport with their counterparts. Officials may establish such rapport at the highest level, as with the friendship between San Antonio's Mayor Henry Cisneros and Kumamoto's Mayor Yasumoto Tajiri. Alternatively, it may develop more broadly and at a lower level, for example through participation of many individuals in the joint planning of sister-city events. More joint planning and lasting friendships also might mitigate some of the damaging communication problems discussed earlier in this chapter.

In short, worthwhile relationships need the participants' enthusiasm, good planning, and a broad base of support. The six successful Japan-Texas partnerships, Corpus Christi-Yokosuka, Fort Worth-Nagoya, Galveston-Niigata, Houston-Chiba, Pasadena-Hadano, and San Antonio-Kumamoto, have all of these characteristics. To strengthen them further, program directors must increase the number

of exchanges, foster more and better planning, and broaden the sister-city relationship's base of support.

Notes

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2. Richard Oakland, "Sister City Relationship Fosters Economic Expansion," Nation's City Weekly, vol. 10 (20 July 1989), p. 7.
3. "Sister Cities Program Begins to Focus on International Trade Development," Business America, vol. 109 (14 March 1988), p. 8; Jeffrey Pasley, "Twisted Sisters: Foreign Policy for Fun and Profit," The New Republic, vol. 196 (June 22, 1987), pp. 14-18.
4. Interview with Marian Lochs, superintendent of parks and recreation, Corpus Christi, April 9, 1990.
5. Joyce Peterson, "Texas' Overseas Offices Blaze Trails For Business," Austin American-Statesman (July 23, 1990), pp. 1, 20 in separate business section. For a more complete picture of the larger Texas effort to form economic ties with Japan see Diedre B. Mendez, Regional Underpinnings of the U.S.-Japan Partnership: Texas State: A Case Study (Austin, Texas: Foreign Business Management Consultants, June 1989).
6. Mendez, Regional Underpinnings, pp. 23-24.
7. Terutomo Ozawa and Mitsuaki Sato, "JETRO: Japan's Adaptive Innovation in the Organization of Trade," Journal of World Trade, August 1989, pp. 15-24.
8. "Houston: A Serious Place," Texas Agenda, June 30, 1990, pp. 3-4.
9. See various articles in the San Antonio Light, "At Home on Texas Range: Love of Golf, Open Spaces Fuels Japanese," D1, May 15, 1990; "Tea Marks Ties with Sister-City," E1, May 16, 1990; "Japanese Festival To Display Ancient Arts," G7, Oct. 12, 1990; "Japanese Examine Local Business Opportunities," E3, Oct. 31, 1990.
10. Michele Kay, "Austin Looks for Economic Boost from New Sisters," Austin American Statesman (July 23, 1990), pp. 1, 19 in separate business section.
11. "Sister Cities Program Begins to Focus on International Trade Development," Business America, vol. 109 (20 July 1989), p. 7; Yoshimi Minami, presentation to Sister-City Conference, LBJ School of Public Affairs, Austin, Texas, April 19, 1990.
12. "Houston a Serious Place," p. 3.
13. Ibid.

14. San Antonio International Calendar (San Antonio: City Government Office), June 1990; and Fiscal Notes, Texas Comptroller of Public Accounts Newsletter, October 1990, pp. 6-7.

Chapter 3. Municipal Budgeting In Japan And Texas

INTRODUCTION

The increased emphasis given international trade in sister-city relationships makes mutual understanding especially important. One way for sister cities to understand their partners better is to examine how they go about solving common problems. Perhaps the most fundamental problem Japanese and Texas municipalities have in common is how to finance their various activities. As explained in chapter two, several Texas city governments allocate sizable amounts of budget resources to their sister-city programs. Other city governments in the state do not, relying instead on community and business-sector support. For their part, Japanese cities budget for large staffs in their international departments. As a result, they can assign personnel to assist their Texas partners when the latter need help carrying out sister-city programs. Obviously, fiscal priorities differ across cities both within and between Japan and Texas. Comparative study of Japanese and Texas municipal budgets reveals the political and financial structures behind these differences. That is precisely the kind of background information international businessmen often want.

This chapter begins with a discussion of the reasons why municipal budgetary processes in Japan and Texas are similar. It then presents a brief description of how city budgetary processes work and why fiscal priorities tend to be stable over time. Next, it explains the rationale behind the classification scheme used to compare municipal revenues and expenditures. After giving an overview of the cities studied, it goes on to analyze their general funds and public enterprise funds on a comparative basis. The chapter ends with several conclusions about the constraints budgetary realities place on municipal governments' economic development and sister-city efforts.

SIMILARITIES IN JAPANESE AND TEXAS MUNICIPAL BUDGETING

Japanese and Texas cities have similar institutional structures and functional responsibilities. For example, municipalities in both countries have city councils. They also have a mayor or a city manager, who relies on a senior financial officer to draft the budget. In addition, all these cities have a large number of agencies and bureaus charged with administering various programs. Japanese and Texas cities also face similar

budgeting problems. Every year, their officials must decide how to apportion available resources among city government's various activities. Given similar institutional structures, functional responsibilities and budget problems, it is not surprising that Japanese and Texas cities have developed similar procedures for solving those problems.

Each year, the highly complex process of budget formulation begins with executive branch officials, who make most of the decisions about the thousands of line items involved.¹ That has important implications for the nature of those decisions. Few executive officials stand for popular election, so they are better insulated from external pressures than legislators are. As a result, executive branch officials supposedly pay little attention to changing environmental conditions. Instead, they rely on simple rules to aid them in reaching resource allocation decisions.

A city's finance director relies heavily on three such rules in drafting the executive's budget proposal. First, he effectively ignores the funding requests submitted by administrative units early in the budget cycle. Lacking a better alternative, he accepts "historical precedent" to guide him in recommending how to allocate anticipated revenue. Thus, the finance director initially estimates an administrative unit's expenditures next year as the amount authorized for it this year.

Second, he adjusts each estimate on a fixed-percentage, across-the-board basis. This procedure "satisfices" the administrative units' spending demands, while assuring that a balanced budget is attainable. It does so by providing each unit with a "fair share" of the projected net addition to municipal revenue. Guaranteed an incremental allocation above its expenditure base, every unit can carry on and expand its activities. Hence, there are neither winners nor losers in the allocation of resources. Their absence minimizes dissatisfaction among participants in the budgetary process and prevents divisive wrangling.

Third, the finance director forwards the incrementally adjusted, balanced budget draft to the chief executive. He, in turn, formally proposes it to the city council. Because councilmen periodically must run for election, they receive more direct exposure to environmental influences than do most members of the executive. Yet these environmental influences scarcely affect resource allocation decisions due to the council's minimal impact on the executive's budget proposals.

The reasons for the council's small impact on the budget arise from that body's inherent disadvantages in handling fiscal matters. To begin with, councilmen usually are part-time officials, who earn modest salaries at best. Consequently, they have little time for revising the executive's myriad spending recommendations.

Councilmen also typically lack in-depth financial expertise and adequate staff support. These inadequacies severely handicap the council's various finance subcommittees. They therefore confine their efforts mainly to checking for blatant errors and omissions in the executive's proposed budget.

Balanced budget requirements on subnational governments in most countries further strengthen that tendency. Hence, no proposal to increase expenditures for a line item above the executive's recommendation can stand alone. Instead, a second proposal, either to decrease another item's allocation or to increase taxes must accompany it, but choosing either option likely will cause a battle over which item's funding to decrease or whose taxes to increase. As a part-time official with little financial expertise, a councilman has slim prospects for winning such a struggle. So the council's basic role in budget formulation is to approve the executive's recommended spending plan.

If governmental behavior conformed entirely to the description above, then functional expenditure patterns would remain unchanged over time. However, budgetary priorities do change, at least somewhat, every year. These changes may arise due to the influence of personality, partisan politics, strategy, and other such factors on bargaining during the budgetary process. Nevertheless, recent research shows that, once established, municipal revenue and expenditure patterns tend to persist over time.² In other words, there is little annual variability in most cities' taxing and spending priorities; so the comparisons made here should remain valid for many years.

Although there are numerous similarities in Japanese and Texas cities' resource allocation processes, there also are noteworthy differences in the overall size of their budgets and their fiscal autonomy. In Japan, the national and prefectural governments wield greater control over municipalities than the federal and state governments do over Texas cities.³ Japanese higher authorities exert this control partly through the substantial general purpose and categorical financial assistance they distribute to Japanese cities. Yet, as shown below, even without such financial assistance, Japanese municipalities have larger budgets than comparable Texas cities do. Conversely, while Texas cities are less well-off financially, they are more autonomous in setting their budgetary priorities because they generate most of their income themselves.

OVERVIEW OF THE CITIES STUDIED

The nine Texas cities in this study do not comprise a representative sample of the state's municipalities. On the contrary, they tend to be larger cities interested in international education, cultural exchange, or trade. Indeed, four of them are

among the state's six largest municipalities. Moreover, eight of the nine Texas cities already have Japanese sister cities. They are Beaumont, Canyon, Corpus Christi, Fort Worth, Galveston, Houston, Pasadena, and San Antonio. The ninth Texas city, Austin, is in the process of forming a sister-city relationship with Oita City. In contrast, the Japanese municipalities studied constitute a 20 percent random sample of cities whose 1970 populations exceeded 100,000 inhabitants. Thus, the revenue and expenditure data compared here come from 9 Texas and 40 Japanese cities. The analysis below considers only the revenues and expenditures of those cities' general and public enterprise funds. Due to their incomparable nature and high variability across cities and years, it excludes capital and other specialized funds.

In Texas, cities do not have a common scheme for classifying these data. So, to make meaningful within-state and international comparisons possible, it was necessary to reclassify Texas municipal budget categories to conform with the system used uniformly throughout Japan. For the general fund, there are nine revenue and twelve expenditure categories.⁴ The general fund revenue categories are: property taxes; sales taxes; income taxes; license fees and franchise taxes; intergovernmental transfers; service charges and fees; fines; proceeds from issuing notes and bonds; and other revenues. The general fund expenditure categories are: council; general administration; social welfare; health and sanitation; labor; agriculture, forestry, and fisheries; commerce and industry; public works; fire protection; education; loan charges; and other expenditures. In addition, this study employs one more category, incompatible expenditures, to group together the various functions Texas cities perform that national and prefectural governments in Japan undertake. For example, Texas cities provide police protection and have their own court systems, while in Japan these functions are responsibilities of the prefectural and national governments.

Similarly, public enterprise funds include three revenue and seven expenditure categories. For public enterprise funds' receipts, the categories are service charges and fees; intergovernmental transfers; and other revenues. For public enterprise funds' disbursements, the categories are waterworks; public transportation; gas and electric companies; hospitals; sewers and wastewater treatment; parking facilities; and incompatible enterprises.

In 1985, the Texas sample cities' average population was 437,144, while the average size of their budgets was \$843 per capita. However, across the nine cities, both population and budget size per capita varied widely. For example, with 11,153 and 1,705,697 residents, Canyon and Houston had the smallest and largest respective populations. Likewise, budget size per capita ranged from \$373 per capita in Canyon to \$1,226 per capita in Austin.

For Texas cities, public opposition to increasing taxes has left service charges and fees as the largest revenue source, comprising 30 percent of the average general fund. Much of this income, though, initially accrues to public enterprise funds as payments for municipally provided goods and services. The money eventually finds its way into the general fund only as an interfund transfer. Expenditures chiefly tend to pay for basic functions. Together, public safety (police and fire protection) and debt service constitute over half the nine cities' general fund spending.

In the sample of 40 Japanese cities, the average 1986 population was 379,908, roughly the same order of magnitude as in Texas. For these cities too, population size ranged widely, from a low of 102,030 residents in Sakata to a high of 2,494,463 in Osaka. At 326,561 yen (\$2,177), mean budget size per capita was much larger in Japan than in Texas. However, as in Texas, there was considerable variation around the mean, from 163,120 yen per capita in Soka to 411,390 yen per capita in Osaka.

In Japan, the primary source of municipal revenue is the income tax, which generates roughly 26 percent of the average city's general fund. There, spending concentrates on infrastructure construction and human services. The majority of general fund expenditures, almost 59 percent, is for public works, social welfare programs, and education.

REVENUES

General Fund Revenues

Substantial differences exist between Texas and Japanese cities in their relative reliance on various revenue sources. For example, Texas cities depend most heavily on earnings generated from goods and services sold by municipally owned enterprises (30 percent), while Japanese cities count most on income taxes (26 percent). Moreover, the revenue sources Japanese cities tap are not always available to Texas cities and vice versa (table 3-1 and figures 3-1 and 3-2). The following paragraphs explore such basic differences and some similarities in Japanese and Texas municipal revenue sources.

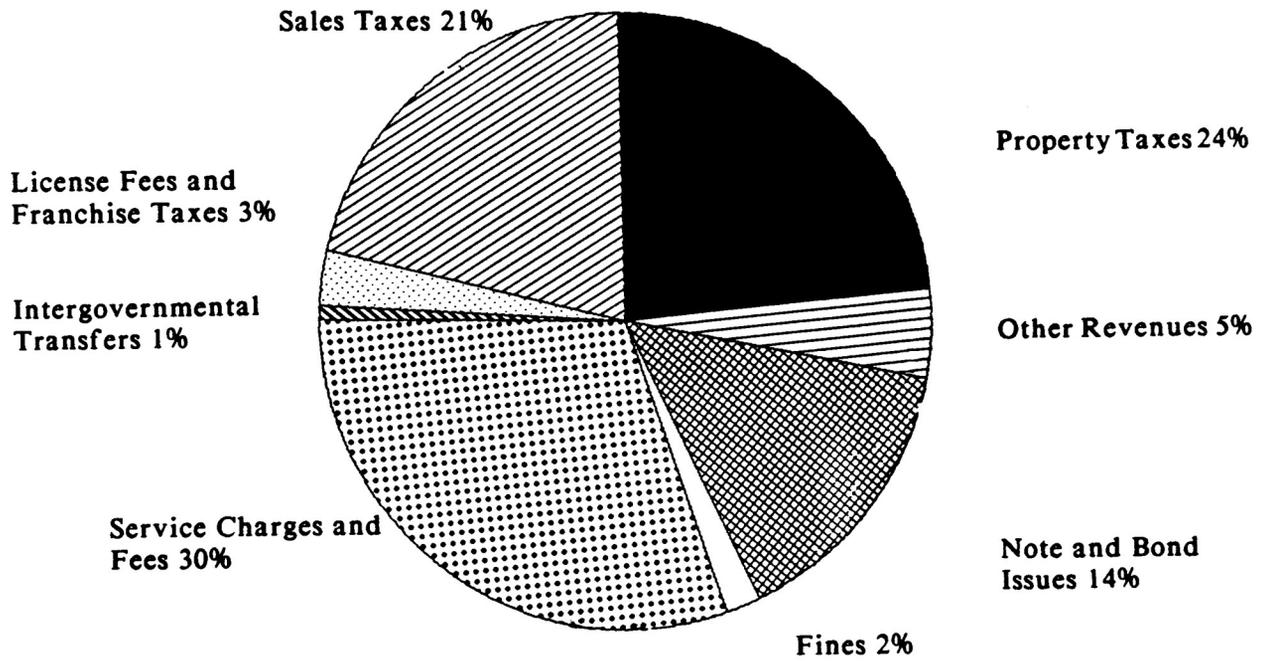
Table 3-1
General Fund Revenues

<u>Category</u>	<u>Texas Average</u>	<u>Japanese Average</u>
Property Taxes	24%	20%
Sales Taxes	21%	4%
Income Taxes	---	26%
License Fees and Franchise Taxes	3%	---
Intergovernmental Transfers	1%	24%
Service Charges and Fees	30%	3%
Fines	2%	---
Note and Bond Issues	14%	8%
Other Revenues	5%	15%
Total	100%	100%

Sources: Texas municipal budget documents and Nihon Toshi Nenkan.

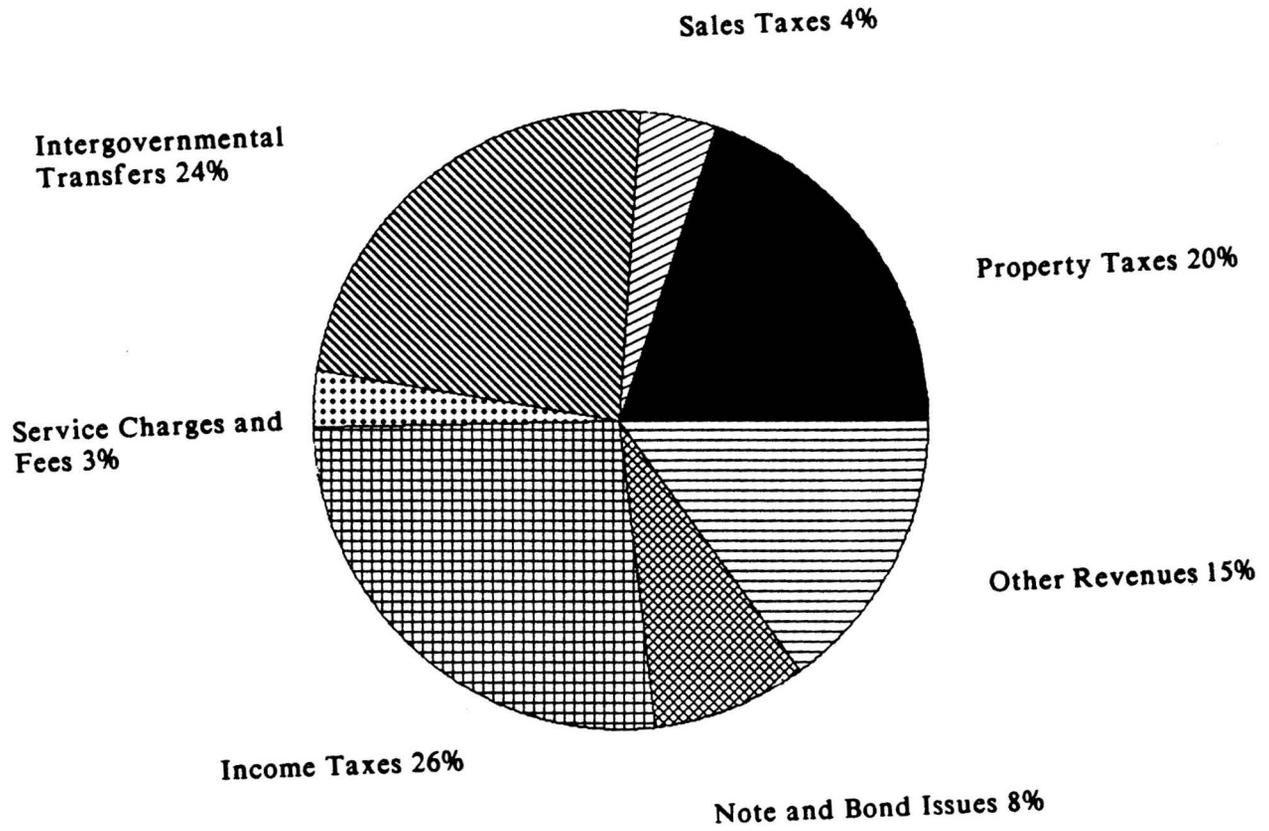
Figure 3-1

Texas Cities' General Fund Revenues



Sources: Texas municipal budget documents.

Figure 3-2
Japanese Cities' General Fund Revenues



Source: Nihon Toshi Nenkan.

Property taxes. This revenue source is the second largest for Texas cities. On average, property taxes comprise about 24 percent of total municipal income. Nevertheless, there is considerable variation in relative reliance on property taxes across the Texas cities studied. At one extreme is Austin, where property taxes represent only 4 percent of its total receipts. Meanwhile, Houston is at the other extreme, taking in 68 percent of its overall revenue from property taxes. In Japan, the average city also relies heavily on property taxes, which constitute almost 20 percent of its income, for revenue. That makes property taxes Japanese municipalities' third most important revenue source.

Sales taxes. Besides a general sales tax, Texas cities also levy a variety of specialized sales taxes. Two such specialized sales taxes are on mixed drinks and hotel occupancy. Altogether, general and specialized sales taxes constitute Texas municipalities' third largest revenue source (21 percent). Again, there is wide variation among Texas cities. Houston receives 32 percent of its total income from sales taxes, while less than 5 percent of Austin's general fund revenue comes from this source. In contrast, Japanese cities assess three basic consumption taxes, a general sales tax, and special sales taxes on electricity and gas. All the same, due to their limited scope and low rates, Japanese local sales taxes raise just 4 percent of municipalities' general fund revenue.⁵

Income taxes. No Texas city imposes an income tax, but Japanese cities do. As noted earlier, income taxes are Japanese municipalities' single most important revenue source, accounting for 26 percent of their total receipts.

License fees and franchise taxes. Although not a particularly large category, license fees and franchise taxes include numerous special revenue sources for Texas cities. Franchise taxes for banks, telephone service, electricity and gas service, railroads, and cable television companies, as well as license fees for taxi operation, liquor sales, and certain domestic animals provide Texas cities with about 3 percent of their income. For their part, Japanese municipalities neither levy franchise taxes nor receive substantial revenue from license fees.

Intergovernmental transfers. Transfers from higher authorities are not an important revenue source for the Texas cities studied. Even Corpus Christi, which relies most on revenues from such transfers, still takes in just 2.5 percent of its total income from this source. In contrast, intergovernmental transfers are the second largest revenue source for Japanese cities. About 24 percent of the average Japanese city's income is in the form of transfers from national and prefectural authorities. These transfers include both categorical and general purpose funds. Recipient cities can spend the former only for specific purposes

designated by higher levels of government but can allocate the latter for whatever activities they may choose.

Service charges and fees. In Texas, 30 percent of the average city's total revenue is in this category. It includes fees for refuse collection, zoning permits, the use of recreational facilities, and so forth. In addition to the fees Texas cities impose, Japanese municipalities also charge tuition for preschool and kindergarten education. Unlike elementary and secondary schooling, these services are not free in Japan. Despite the large number of services billed, however, charges and fees only contribute about 3 percent of the average Japanese city's total revenue. Lower charges and bigger budgets explain the comparatively small proportion of revenue generated from services and fees in Japan.

Fines. Roughly 2 percent of Texas cities' total receipts come from fines. The fines include payments for parking tickets, traffic violations, and other minor legal infractions over which municipal courts have jurisdiction. Japanese cities take in no money from fines, however, because jurisdiction in such matters rests with the national and prefectural governments.

Notes and bonds. Proceeds from issuing instruments of indebtedness account for nearly 15 percent of Texas cities' income. While some cities have significant income from this source, 25.5 percent in the case of San Antonio, 6 of the 9 Texas cities studied had no general fund revenues at all from sales of notes and bonds in 1986. Japanese cities, on the other hand, are less dependent on debt issuance as a revenue source. On average, it comprises little more than 8 percent of their total income.

Other revenues. This category groups together receipts from the rental of municipal facilities, interest income, and similar sources. Surpluses from previous years also are in the other revenue category. While representing 5 percent of the Texas cities' income, Japanese municipalities take in 15 percent of their income from other revenue sources. Again, this divergence reflects differences in the revenue sources on which cities in the two countries rely.

Public Enterprise Revenues

Public enterprise revenues come from three sources (table 3-2 and figures 3-3 and 3-4). First, fees charged for goods and services account for most public enterprise income. Texas cities derive 91 percent, and Japanese cities 80 percent, of their public enterprise income in this fashion.

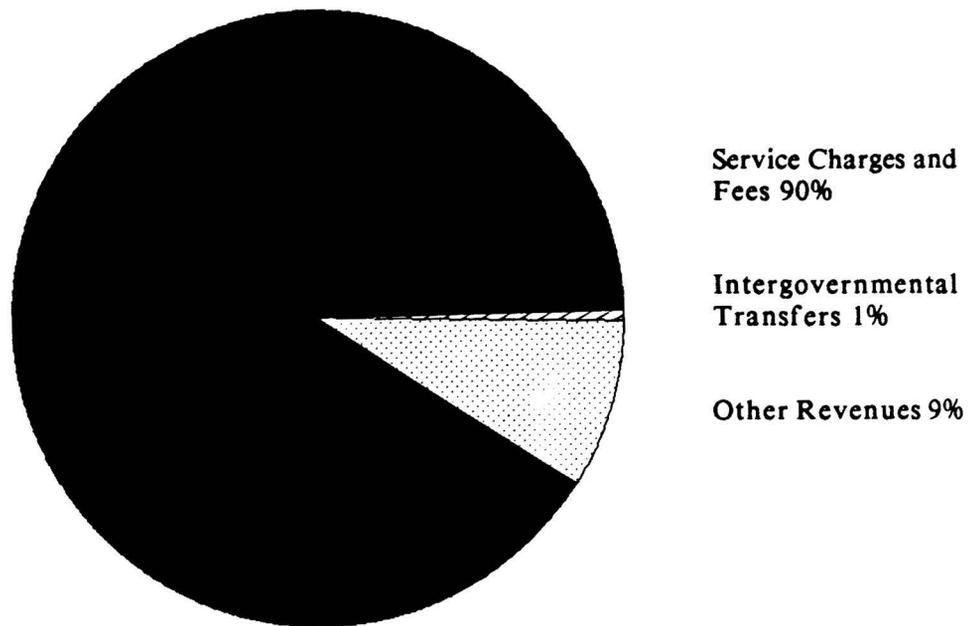
Table 3-2
Public Enterprise Fund Revenues

<u>Category</u>	<u>Texas Average</u>	<u>Japanese Average</u>
Service Charges and Fees	90%	80%
Intergovernmental Transfers	1%	13%
Other Revenues	9%	7%
Total	100%	100%

Sources: Texas municipal budget documents and Nihon Toshi Nenkan.

Figure 3-3

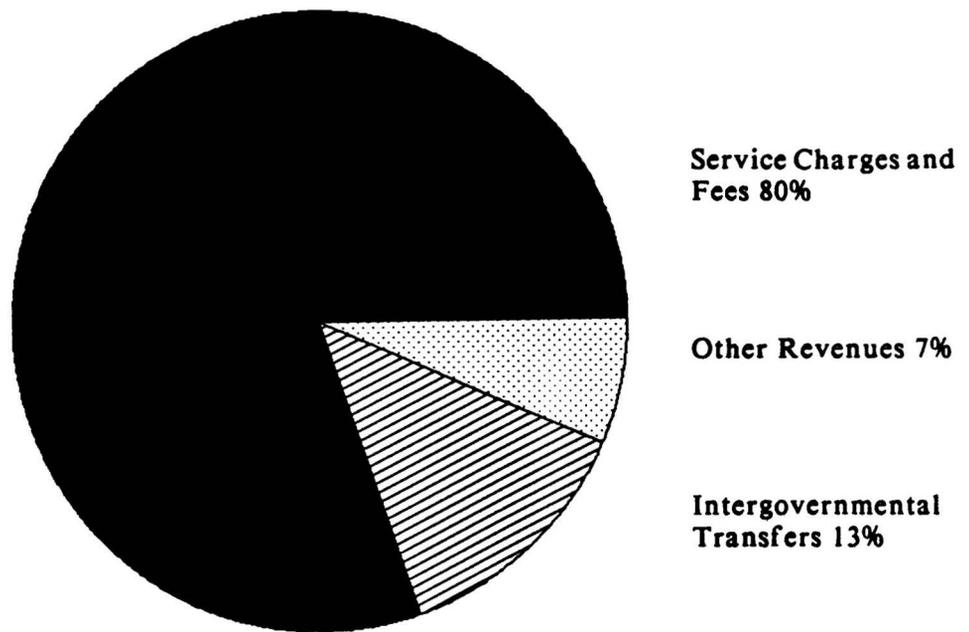
Texas Cities' Public Enterprise Fund Revenues



Sources: Texas municipal budget documents.

Figure 3-4

Japanese Cities' Public Enterprise Fund Revenues



Source: Nihon Toshi Nenkan.

Second, higher authorities pay cities for the municipally provided goods and services they consume. Intergovernmental transfers from the national and prefectural governments are especially important in Japan, where they make up 13 percent of municipal enterprises' receipts. In Texas, though, payments from the federal and state governments are of little significance, averaging just 1 percent of cities' public enterprise revenues.

Third, sales of assets, earned interest, and miscellaneous activities generate other revenue. Texas cities raise 9 percent of their public enterprise income from these sources versus 2 percent for Japanese municipalities.

EXPENDITURES

General Fund Expenditures

The general fund pays for city government services most residents take for granted. As noted earlier, those services include fire protection, general administration, public works, and other familiar municipal functions. The following paragraphs discuss basic similarities and differences in the general fund expenditures of Japanese and Texas municipalities (table 3-3 and figures 3-5 and 3-6).

City Council. These expenditures only include compensation for councilmen and the staff personnel directly supporting them. In Japan, city council expenditures comprise less than 1 percent (0.55 percent) of general fund outgo. With five to six times as many members as their Texas counterparts, Japanese cities spend proportionately more for their city councils. In Texas, the comparable figure for spending on city councils and their related staffs averages less than 1 percent (0.19 percent) of general fund expenditures.

General Administration. This category covers outlays for the budget, finance, personnel, data processing, taxation, and similar administrative departments. It also includes expenditures for elections and funding for city council committees with oversight responsibilities for general administration. Although Japanese cities devote 10 percent of their total expenditures to general administration, Texas cities allocate a smaller relative amount, 7 percent. Again, the difference in relative spending priorities stems from the larger size of Japanese city councils and their correspondingly larger and more numerous oversight committees.

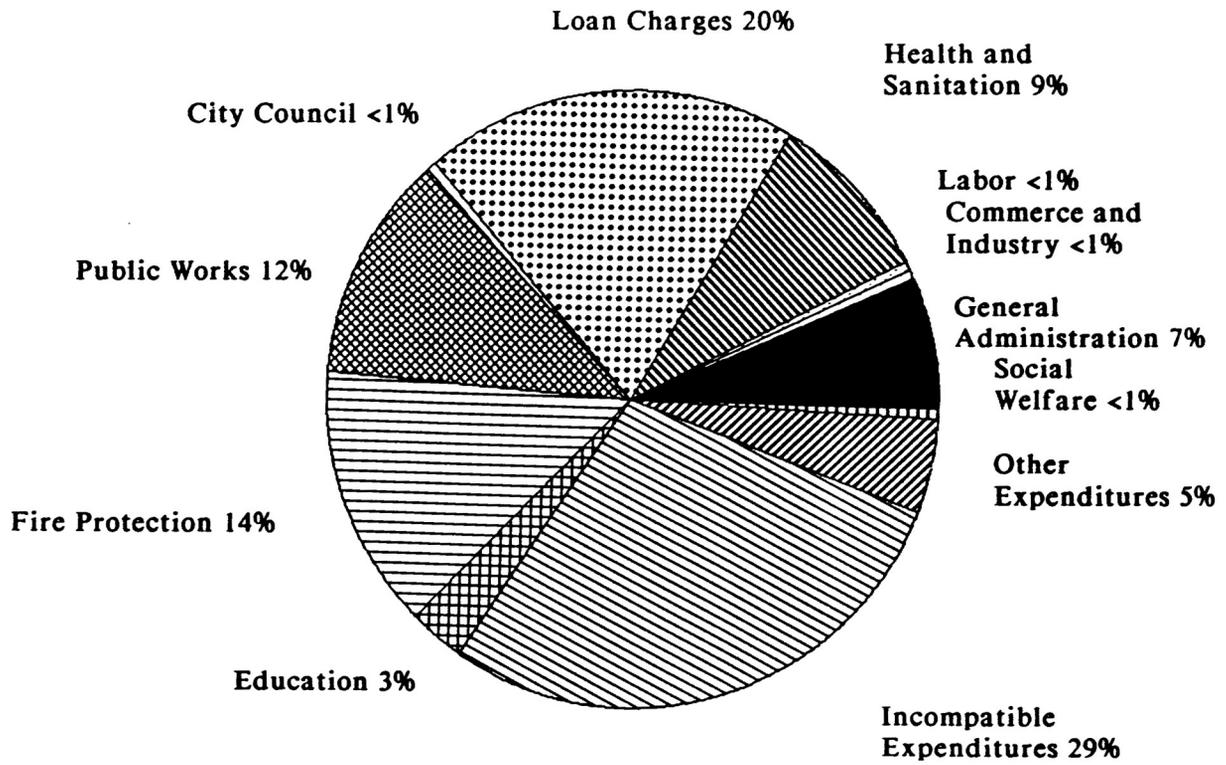
Table 3-3
General Fund Expenditures

<u>Category</u>	<u>Texas Average</u>	<u>Japanese Average</u>
City Council	<1%	<1%
General Administration	7%	10%
Social Welfare	<1%	19%
Health and Sanitation	9%	10%
Labor	<1%	1%
Agriculture, Forestry, and Fisheries	---	1%
Commerce and Industry	<1%	3%
Public Works	12%	26%
Fire Protection	14%	3%
Education	3%	14%
Loan Charges	20%	11%
Other Expenditures	5%	1%
Incompatible Expenditures	29%	---
Total	100%	100%

Sources: Texas municipal budget documents and Nihon Toshi Nenkan.

Figure 3-5

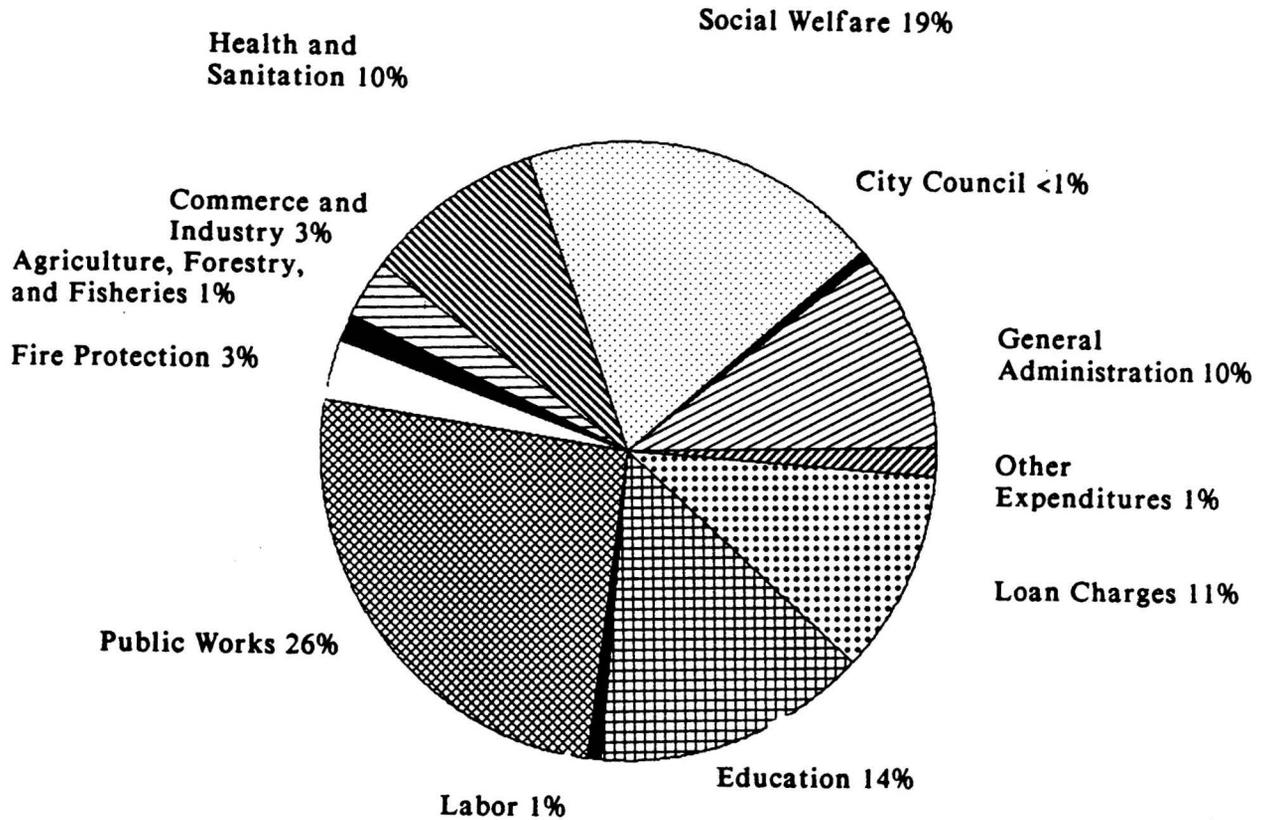
Texas Cities' General Fund Expenditures



Sources: Texas municipal budget documents.

Figure 3-6

Japanese Cities' General Fund Expenditures



Source: Nihon Toshi Nenkan.

Social Welfare. At less than 1 percent (0.16 percent) of total general fund expenditures, the average Texas city's social welfare spending is almost negligible. Indeed, over half the Texas cities studied spend nothing at all in this area of the budget, because in the United States social welfare is chiefly a function of the federal and state, not municipal, governments. In Japan, however, cities usually are the social welfare providers. Due to an aging population, social welfare already is the second largest spending area,⁶ consuming 19 percent of the average Japanese city's general fund.

Health and Sanitation. In Japan and Texas, the municipal health and sanitation category encompasses money for animal shelters, refuse collection, public health, and nutrition programs. The category does not include sewer construction, sewer maintenance, sewage treatment, nor public hospitals. Both Japanese and Texas cities spend about 10 percent of their respective general funds for these purposes.

Labor. Expenditures for labor go to short-term unemployment relief and job training. Like social welfare, in the United States, it normally is a function exercised by higher levels of government; so total labor expenditures average less than 1 percent (0.03 percent) of Texas cities' general fund spending. On account of very low unemployment rates, Japanese cities also spend less than 1 percent of their general fund budgets on labor. In Japan, expenditures in this category are primarily payments to unemployed, elderly workers and workers' widows.⁷

Agriculture, Forestry, and Fisheries. In Japan, municipalities provide some services to their surrounding rural areas.⁸ Therefore, on average, they allocate about 1 percent of their general funds to agriculture, forestry, and fisheries. In the United States, in contrast, agricultural and other environmental services are responsibilities of the state and federal governments. Thus, Texas cities have no expenditures in this area.

Commerce and Industry. Spending for commerce and industry supports the promotion of tourism, convention centers, municipal economic planning, and related programs. However, the average Texas city spends less than 1 percent (0.95 percent) of its general fund for these purposes. Furthermore, two of the nine Texas cities studied report no commerce and industry expenditures at all. On the other hand, Japanese municipalities' commerce and industry spending averages around 3 percent of their overall general funds.

Public Works. This category includes construction and maintenance of streets, bridges, and similar items of municipal infrastructure. Nevertheless, most public works spending in Japan

goes for planning and administration. Altogether, the Japanese allocate an average of about 25 percent of their general funds to public works. That figure is more than twice the relative amount, nearly 12 percent, that Texas cities spend.

Fire Protection. Fire protection is one of the larger expenditure categories for Texas cities, where it comprises an average of almost 14 percent of general fund expenditures. All the same, spending for fire protection varies considerably among cities. For example, Pasadena allocates only 2.1 percent, while Houston commits 22.5 percent, of its expenditures to fire protection. The difference probably is due to diverging mixes of volunteer and professional fire companies. By comparison, the average Japanese city spends only a tiny amount, about 3 percent, of its general fund money on fire protection. Still, because their municipal budgets are so much larger, the amount that Japanese cities actually spend on fire protection is nearly the same as that for Texas cities.

Education. Independent school districts administer most education spending in Texas. Consequently, the resources that Texas cities allocate to this category pay for libraries, museums, recreation programs, and sports facilities. Taken together, such expenditures amount to less than 3 percent of the average Texas city's general fund. In marked contrast, Japanese municipal governments play a far greater role in the education area. For example, they must cover half of all school construction costs. As a result, Japanese cities spend about 14 percent of their general funds on education.

Loan Charges. The average Texas city pays out nearly 20 percent of its general fund resources as interest on loans. Accordingly, loan charges constitute its second largest category of expenditure. Nonetheless, the relative importance of loan charges varies widely among Texas cities. Austin spends over half (55.3 percent) of its general fund money on loan charges, while Canyon has no general fund expenditures for interest on its debt at all. For their part, Japanese cities have loan charge expenditures of just under 11 percent of general fund spending.

Other Expenditures. Nondepartmental spending, contingency funds, and similar expenses make up the other expenditure category. For Japanese cities, the category also contains money for disaster relief programs. Given the frequency with which earthquakes, tidal waves, and other natural disasters occur, contingency funds for disaster relief, though small, are an important element in every Japanese municipal government budget.

Incompatible Expenditures. This category accounts for all Texas city spending functions not exercised by Japanese municipal governments. These functions include police, city manager, city secretary, code enforcement, and municipal courts. They account

for an average of 29 percent of all general fund spending and comprise the largest expenditure area for Texas cities. Within the incompatible expense grouping, funding for police constitutes the majority of spending. Indeed, police spending is the largest single general fund expenditure category in each Texas city. These large, incompatible expenditures point to the different roles played by cities in Japan and Texas. Japanese cities spend relatively more on social programs, whereas Texas cities emphasize protective services.

Public Enterprise Expenditures

Japanese and Texas municipalities have six kinds of public enterprises in common: waterworks, public transportation, electricity and gas companies, hospitals, sewers and wastewater treatment plants, and parking facilities. In addition, Texas cities occasionally engage in several public enterprise activities that Japanese cities do not. For example, the former sometimes operate golf courses or emergency medical services. Virtually all these public enterprises are self-financing. That is, they generate enough revenue to offset their own expenditures. However, in a few cases general fund revenues subsidize enterprises that otherwise could not cover their costs. In Texas cities, public enterprises have combined expenditures roughly half the size of their general funds. For Japanese cities, public enterprise spending is about one-quarter the general funds' size⁹ (table 3-4 and figures 3-7 and 3-8).

Waterworks. This category includes the acquisition and distribution of and billing for water. On average, it is the largest public enterprise in Japanese cities. Waterworks spending constitutes about one-third (32 percent) of their total public enterprise expenditures. Meanwhile, at 24 percent, waterworks constitute Texas municipalities' second largest public enterprise expenditure category.

Public Transportation. Expenditures in this class are for airport, transit, and other transportation-related services. The category makes up 6 percent of the Texas cities' public enterprise outlays. In contrast, Japanese transportation expenditures comprise around 11 percent of public enterprise money. The higher level of expenditures for transportation in Japan is not surprising given Japan's superior mass transit systems.

Gas and electric companies. On average, about 42 percent of Texas cities' public enterprise expenditures consist of gas and electric company spending. However, particularly high outlays by two cities, Austin and Corpus Christi, distort this average figure. In those two cities, gas and electric companies' spending comprises

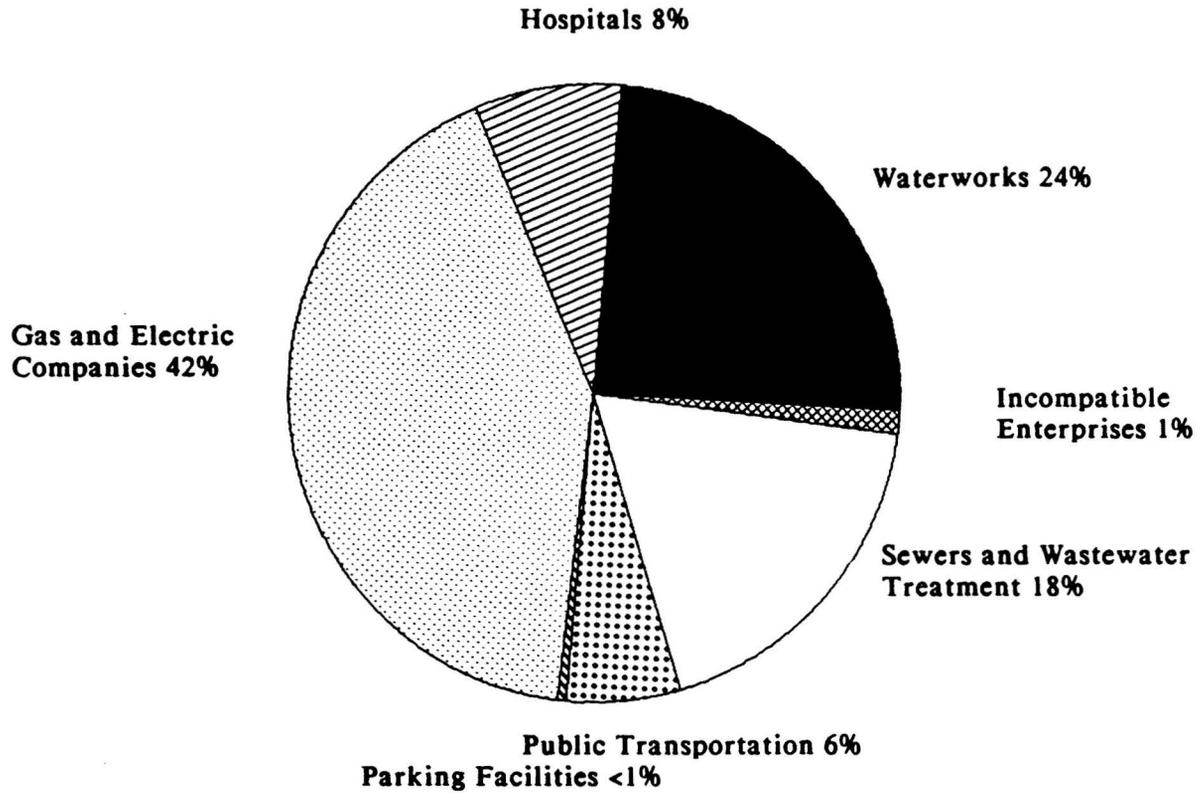
Table 3-4
Public Enterprise Fund Expenditures

<u>Category</u>	<u>Texas Average</u>	<u>Japanese Average</u>
Water Works	24%	32%
Public Transportation	6%	11%
Gas and Electric Companies	42%	2%
Parking Facilities	<1%	8%
Hospitals	8%	30%
Sewers and Waste Water Treatment	18%	17%
Incompatible Enterprises	1%	---
Total	100%	100%

Sources: Texas municipal budget documents and Nihon Toshi Nenkan.

Figure 3-7

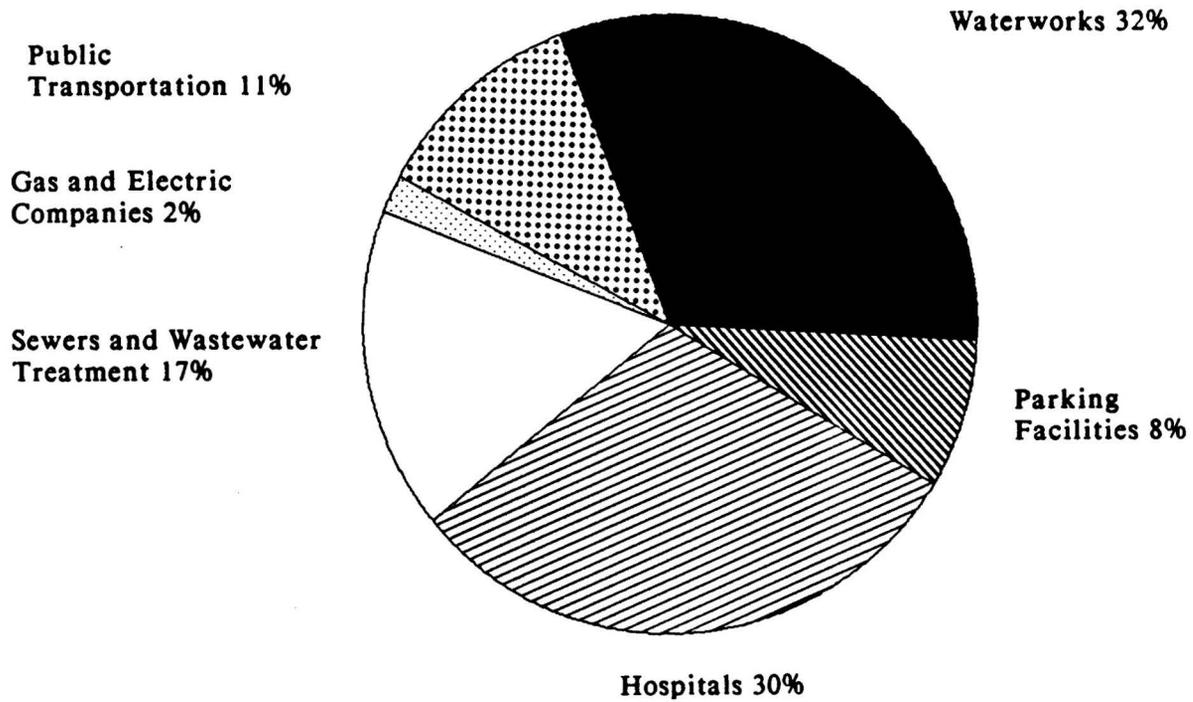
Texas Cities' Public Enterprise Fund Expenditures



Sources: Texas municipal budget documents.

Figure 3-8

Japanese Cities' Public Enterprise Fund Expenditures



Source: Nihon Toshi Nenkan.

60.2 percent and 39.2 percent of their respective public enterprisefunds. In comparison, gas and electric spending is relatively unimportant for Japanese cities, consuming less than 1 percent of their overall public enterprise funds. This low figure stems from the fact that all utilities in Japan are privately owned.

Hospitals. Austin is the only Texas municipality with outlays in the hospital expenditure category. Consequently, hospitals account for an average of less than 8 percent of total public enterprise spending by Texas cities. In Japan, though, hospitals represent the second largest spending area, making up 30 percent of total public enterprise outgo.

Sewers and Waste Water Treatment. Expenditures in this category are for sewers, sewer maintenance, and waste water treatment. Texas cities' priorities for spending on those items vary widely. For example, Pasadena allocates the majority of its public enterprise resources, 51.6 percent, for waste water treatment. On the other hand, four out of nine or almost half of the Texas municipalities studied had no separate enterprise funds dedicated to sewage control. For their part, Japanese cities spend about 17 percent of their total public enterprise monies on sewers, sewer maintenance, and waste water treatment.

Parking Facilities. Only two of the nine Texas municipalities have distinct parking facility funds. Moreover, in both cases, parking facilities constitute relatively small enterprises. By comparison, municipal parking facility expenditures are much more important in Japan, where they encompass almost 8 percent of the cities' public enterprise spending.

Incompatible Enterprises. This category includes golf course and emergency medical funds. On average, the category comprises slightly more than 1 percent of Texas cities' public enterprise expenditures. Golf course and emergency medical funds are "incompatible enterprises" because none of the cities in the Japanese sample engage in comparable activities.

CONCLUSIONS

Texas and Japanese cities share similar forms of municipal government and budget processes, but have different revenue and spending patterns. The dissimilar roles played by municipal government in the two countries account for much of that difference. To a large extent, the basic functions of municipal government in Texas are the same as they were a century ago. These functions comprise the traditional activities of American local governments, including police and fire protection and public works. Since that time, however, the federal and state governments have taken the lead in expanding the public sector.¹⁰

This development differs from Japan, where the United States Occupation Government defined the functions for municipalities in Japan at a much later date than when they evolved in Texas. Before World War II, Japanese cities were part of a traditional, centralized political framework. American pressure after World War II was the major impetus for decentralization, which remains at best a partly realized goal.¹¹

Consequently, the roles of Texas and Japanese cities are almost mirror images of each other. As just noted, police protection and law enforcement remain major functions for Texas municipal governments. Social spending, however, generally is the responsibility of higher levels of government. In Japanese cities, in contrast, social spending is a major expenditure category, while the Japanese national and prefectural governments handle all police and judicial functions.

On the revenue side of the budget, Texas cities are largely independent, as evidenced by their low reliance on intergovernmental transfers as an income source. In Japan, municipalities are much more dependent on funds granted by higher authorities. Fully one-quarter of their revenues come directly from other levels of government. Although their ties to the prefectural and national governments cost Japanese cities some independence, they nevertheless benefit from having more financial resources. As mentioned earlier, Japanese municipal budgets are more than twice the size of Texas cities' budgets. Thus, Texas cities' greater policy independence comes at the price of having less money to spend on programs and services.

In sum, the differences between Texas and Japanese city budgets provide insights into the dynamics of both economic development and sister-city relations. Larger budgets allow the Japanese to finance larger sister-city staffs and spend more on exchange programs than Texas cities. In contrast, the smaller Texas sister-city programs often must rely on minimal city funding and in-kind support. A broader financial base also allows Japanese cities to support some local economic development projects directly. Texas cities, on the other hand, rely more on joint economic development planning with businesses.

Notes

1. For an expanded version of this discussion, see Robert C. Rickards, "Administrative Devolution, Partisan Control of City Hall, and Expenditure Pattern Change in Japanese Cities, 1971 - 1983," ORIGU, vol. 28 (March 1991).
2. Robert C. Rickards, "Progressive Mayors, Interparty Competition, and Revenue Pattern Change in Japanese Cities, 1971-1983," Asian Perspective, vol. 14, no. 2 (Fall-Winter 1990), pp. 93-125.
3. Ministry of Home Affairs (Jichi-Sho), White Paper on Local Government Finance FY 1989 (Chiho Zaisei Hakusho) (Japan: Government Printing Office, 1989).
4. Takashi Maeda, "Overview of Municipal Government Finance in Oita," Oita University Economic Research Center Report, no. 22; and Toru Hashimoto, Basic Public Finance (Japan: Kihon Zaiseigaku, 1985).
5. Local Financial Association (Chiho Zaimu Kyokai), Financial Report of Municipalities (Shi Cho Son Kessan Jokyo Shirabe) (Tokyo: Local Financial Association, 1986).
6. Susumu Sato, Readings in Local Government Finance (Chiho Zaisei Dokuhun), 2nd. ed. (Tokyo: Toyokeizai Shinpo, 1984).
7. Tokue Shibata, ed., Public Finance in Japan (Tokyo: University of Tokyo Press, 1986).
8. Hashimoto, Basic Public Finance.
9. Local Financial Association (Chiho Zaimu Kyokai), Annual Report of Local Public Enterprises (Chiho Koei Kigyo Nenkan) (Tokyo: Local Financial Association, 1989).
10. David V. Edwards, The American Political Experience (Engelwood Cliffs, N.J.: Prentice-Hall, 1985).
11. Roger Buckley, Japan Today, 2nd ed. (New York: Cambridge University Press, 1990); and Ardath W. Burks, The Government of Japan (New York: Crowell, 1961).

Chapter 4. Project Reports

INTRODUCTION

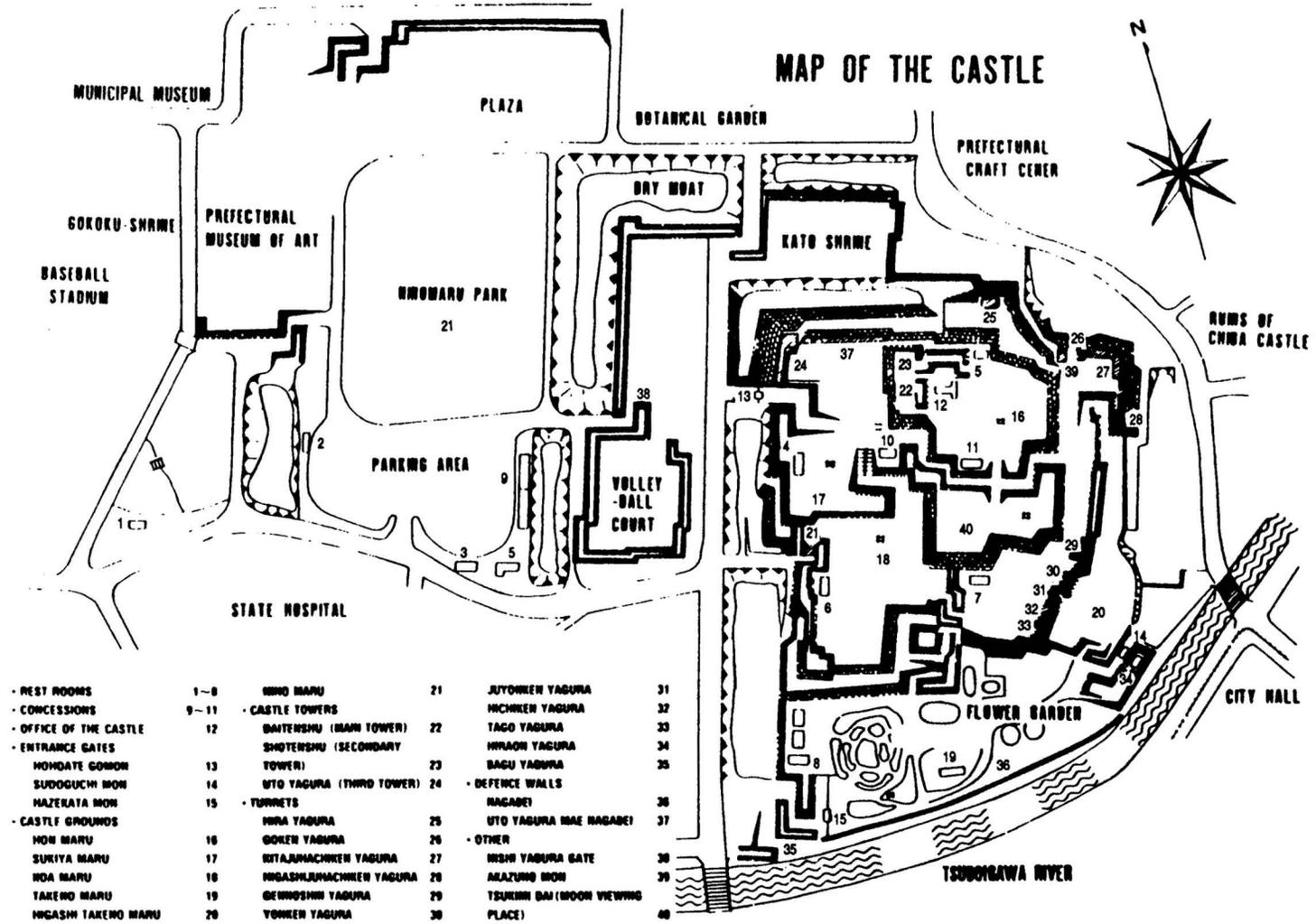
One goal of sister-city partnerships is to share information concerning common management problems. As discussed in chapter two, San Antonio and Kumamoto City have a particularly strong sister-city relationship. Underlying this dynamic partnership is a desire to learn from other cultures by exchanging ideas. Impressed with the San Antonio River Walk, Kumamoto is developing a similar commercial district. Likewise, San Antonio hopes to design a park system comparable to Kumamoto Castle Park--a public enterprise which is largely self-supporting financially. The purpose of the present chapter is to report information useful to both San Antonio and Kumamoto City in carrying out their respective projects. Four main sections comprise the chapter. The first section outlines both the history of the Kumamoto Castle Park and its various restoration projects. The second section details the current management of the park. In parallel fashion, the third section provides a short, narrative history of the River Walk's economic development. The final section examines current management practices and future plans for the River Walk.

KUMAMOTO CASTLE

As shown in figure 4-1 and figures 4-2 and 4-3, the castle grounds consist of three sections: the Hon Maru (main), Nino Maru (secondary), and Sanno Maru (tertiary) areas. All three sections have inner and outer moats, stone walls, gates, and courtyards. The Nino Maru and Sanno Maru sections contain public and private facilities, such as municipal offices, parks and museums. The donjons, or castle towers, of Kumamoto castle are in the Hon Maru section. The castle grounds boast the longest (252.7 m), straight defensive wall in Japan along an inner moat. Donjons, which are the castle's main structures, are tall battlements placed at strategic locations along the fort to serve as the main points of castle defense (see figures 4-4 and 4-5). During the latter half of Japan's feudal era (1600s-1800s), the two pictured donjons functioned both as watch towers and as warehouses for food and weapons. Near the two towers is the Uto Yagura, which was an operations donjon used to defend the castle's northern area. Today that donjon houses historical artifacts from the feudal era.¹

Figure 4-1

Map of Kumamoto Castle



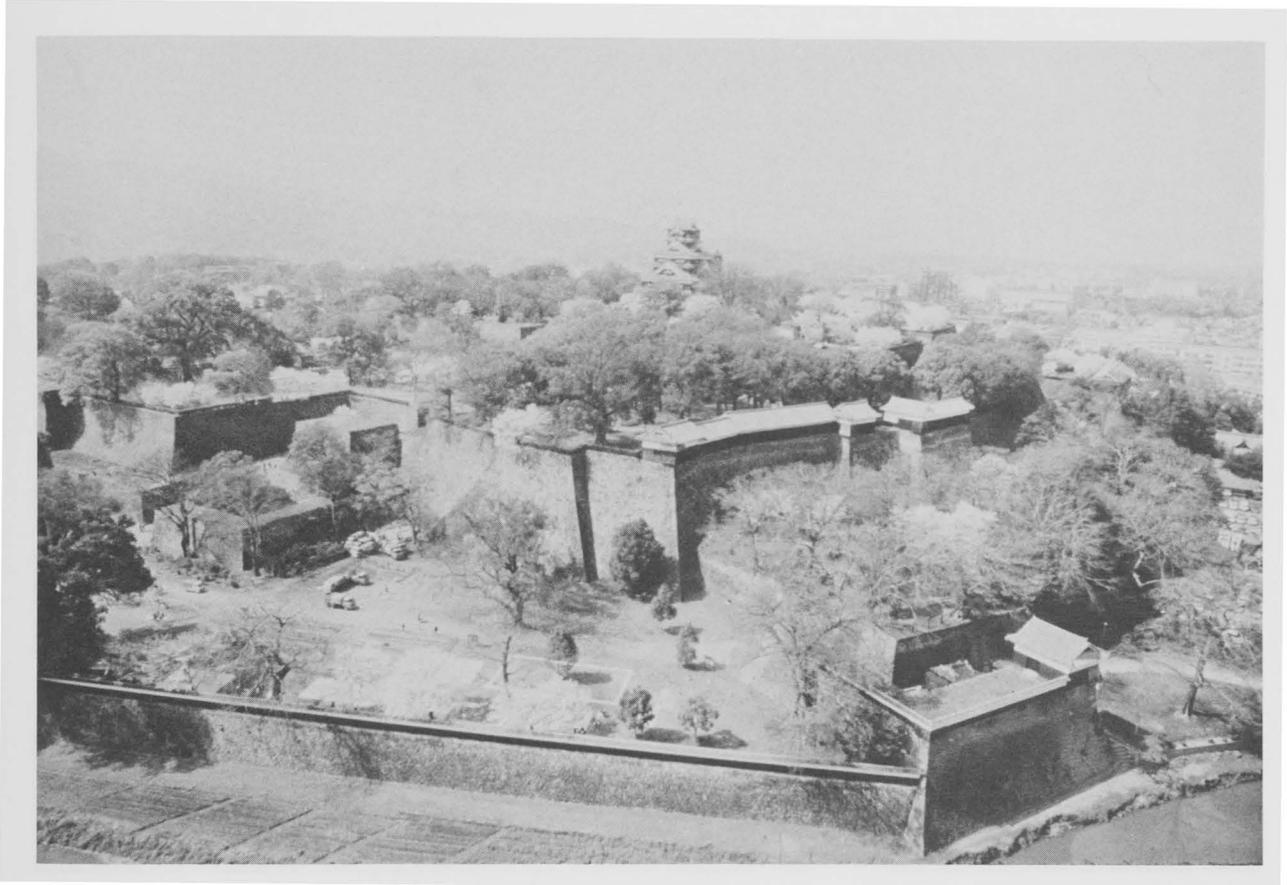
▷Open: 8 : 30 am - 5 : 00 pm
(April - October until 6 : 00 pm)
▷Closed: December 29 - 31

▷Transport: 15 min. walk from KOTSU Center
▷Entry Fee: Castle Grounds - ¥100 Donjon - ¥200

Acknowledgements: Joanne Abitabilo
Lynn Seep

Figure 4-2

Kumamoto Castle and Outer Park Grounds



Kumamoto Castle Donjons (left to right, Shotenshu, Daitenshu, Uto Yagura)

Figure 4-3

Kumamoto Castle Park and Inner Park Grounds



The Daitenshu (Main) Donjon at Kumamoto Castle Park

Figure 4-4

Kumamoto Castle Donjons

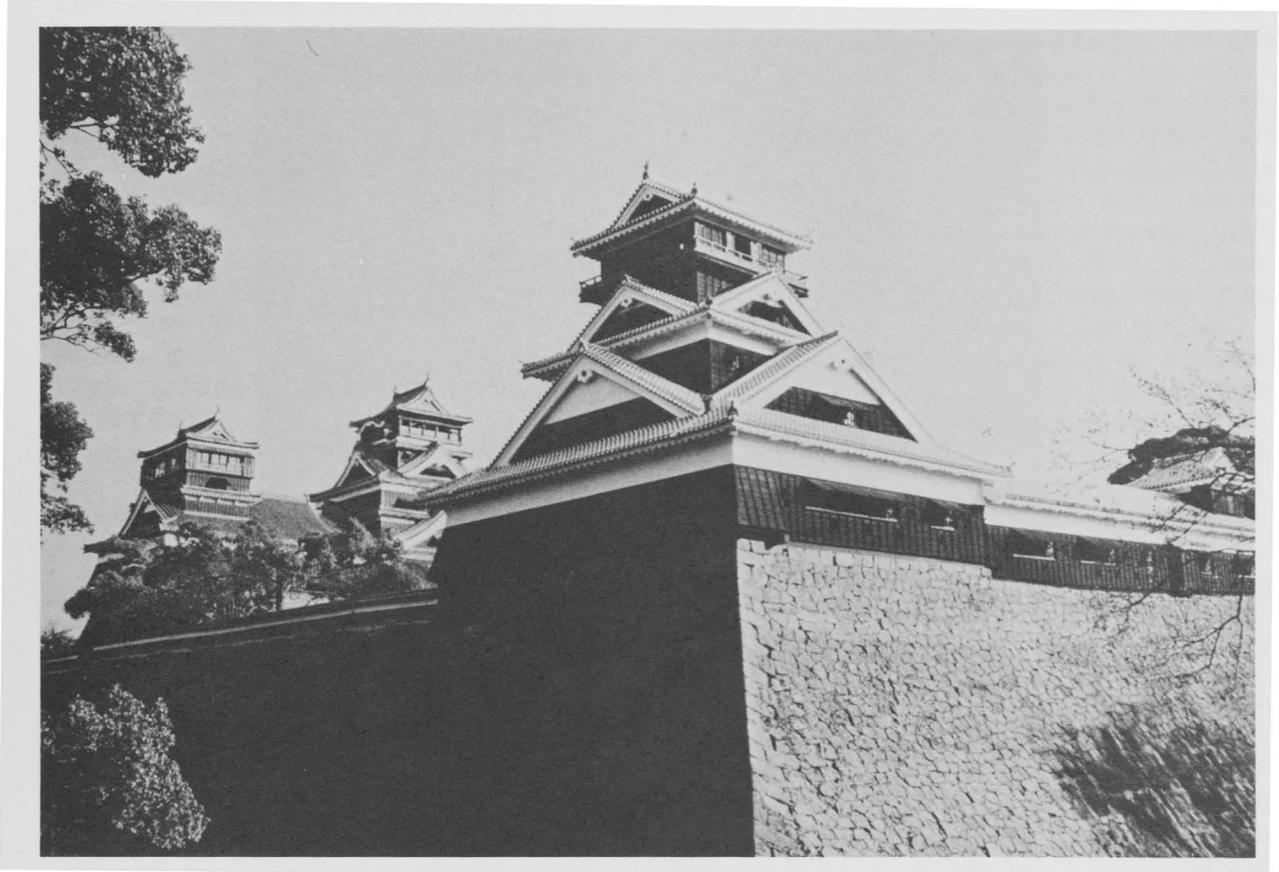


Figure 4-5

The Daitenshu (Main) Donjon



History

Kiyomasa Kato, a feudal lord with expertise in military architecture, began six years of construction on Kumamoto Castle in 1601. The castle served as a fortress for the Kato and the Hosokawa clans until the 1868 Meiji Restoration, which abolished the Shogunate and returned the Emperor to political preeminence. In 1871, the Meiji government placed Imperial soldiers in the castle for the defense of western Japan. The Southwestern Civil War of 1877 (known as the Satsuma Rebellion) destroyed most of the castle towers. Restoration of the castle site started in the mid-1920s. In 1933, the Ministry of Education designated the castle as a National Treasure and the location as an Important Historical Site. Kumamoto Castle remained a base for the Japanese Army until after World War II, when civilian governmental and private offices replaced the Army. The castle site subsequently became the home for various public facilities, including a baseball stadium, a pool, schools, offices, and museums. Construction of new offices took place mainly in the Nino Maru (secondary) and Sanno Maru (tertiary) areas.²

Restoration

The castle needed extensive restoration because of the damage it suffered from battles and neglect. In 1927, Kumamoto City refurbished two structures damaged in the Civil War, the Uto Yagura (the west tower) and the Nagabei (a defensive wall). Restoration work, halted during World War II, went into full swing in 1953 and continued through the 1980s. Because the Hon Maru (main) section experienced serious wartime damage, the national government subsidized restoration projects from 1953 through 1962. From 1960 to 1982, Kumamoto City also repaired buildings in existence on the castle grounds. As its 70th anniversary project in 1960, Kumamoto City reconstructed two donjons--Daintenshu (the main tower) and Shotenshu (a secondary tower).³

The residents of Kumamoto City played a major role in refurbishing the castle. In 1959, when the city government collected money to finance its 70th anniversary project, they made sizable contributions. One resident, Mr. Kichijiro Matsuzaki, donated 50 million yen (\$333,000). Mr. Matsuzaki's dream was to rebuild the towers by himself. It disappointed him to learn that his donation did not cover all the costs to repair the damaged towers. After Mr. Matsuzaki died in 1964, his son gave most of his inheritance for the reconstruction of the Bagu Yagura, another tower.⁴

Between 1966 and 1982, the city of Kumamoto, subsidized by the Agency of Cultural Affairs, carried out eight restoration projects

involving the Hon Maru area. These ventures included building stone walls and gates and the arrangement of the Nishide Maru Sasaen, a bamboo garden. One wall, the Nishino Maru Ishigaki, required four years to repair completely. The total cost of restoring the wall amounted to 83 million yen. Costs for all restoration projects from 1966 to 1982 totaled 184.68 million yen (\$1.23 million).⁵

Development

In 1965, the National Committee on Preservation of Cultural Properties appointed Kumamoto City to manage the castle grounds. In 1967, the city began plans to develop a castle park with the goal of preserving the castle's original appearance. Despite the city's objection, however, some national and prefectural agencies built offices on the castle site. This construction delayed attainment of the city's goal of fully restoring the castle. It also led to tensions between Kumamoto City and the prefectural and national governments.⁶

Also in 1967, Kumamoto City undertook a plan to landscape the Nino Maru section. Supervised by Dr. Masami Kuroda, the plan received grants from the Ministry of Construction. In 1968, Kumamoto City, the Agency for Cultural Affairs, and the Ministry of Construction negotiated the arrangement of the Nino Maru Plaza. The plaza was to serve park visitors as a rest and recreation area. Although the original agreement prohibited utilization of the plaza for special events, citizens demanded greater use of it. As a result, the Ministry of Finance later allowed the city to designate part of the plaza as an event site. In accord with this decision, the city divided Nino Maru Plaza into Nino Maru Park and the event plaza.⁷

From 1967 through 1973, the Ministry of Construction subsidized several Kumamoto City projects involving Kumamoto Castle. Projects included the construction of promenades and parking lots, whose costs totaled 25.2 million yen (\$168,000). The city also built a garden for tea ceremonies and a wild-fowl garden, at a cost of 21 million yen (\$140,000). In addition, the city spent 4.7 million yen (\$31,000) in the early 1970s on drainage for the event plaza.⁸

Management

In 1965, according to the Cultural Properties Protection Law, Kumamoto City took over management of the castle grounds. However, two different city agencies became the actual managers. One agency was responsible for the castle's structures (for example, the donjons and the defensive walls) and the other agency for the

castle grounds. Since that time, the city gradually expanded its control over the castle area. In 1973, the mayor of Kumamoto City organized his Workshop on the Arrangement of Kumamoto Castle as an advisory committee. Engineering professor Dr. Asato Kobayashi chaired a three-member "workshop committee," which included professional engineers and experts in construction and manufacturing. A poet and a member from the Kumanichi Information and Culture Center served on the committee too. The committee investigated the condition of the castle and submitted a report to the mayor in 1974.⁹

"The Kumamoto Castle Report," suggested maintaining the value of Kumamoto Castle as a historical and cultural property. The study also recommended using the castle for recreation and tourism. It proposed delineating the castle area and unifying the management of the donjons and castle. Additionally, it called for the repair and preservation of the castle and its surroundings. To increase tourism, the report encouraged arranging a tourist route and promoted tree planting and landscaping.¹⁰

The Workshop on the Arrangement of Kumamoto Castle submitted a second report in 1979. This study, "Restoration of Sanno Maru Area," recommended the restoration of streets around the castle as they were in the Edo era. Also it renamed the area Sanno Maru Shiryo Park ('Shiryo' means historical records). The report furthermore proposed a park for children. The proposal eventually led to Sanno Maru Jido Park. Finally, the report recommended moving certain buildings out of the Sanno Maru area. Under the Cultural Properties Protection Law, Kumamoto had full control over the castle grounds and thus could have these buildings removed. Kumamoto City ordered the Kumamoto Court of Family Affairs, the prefectural police department, and the National Research Institute of Chemistry and Blood to relocate outside the Sanno Maru area.¹¹

The Conference for Promotion of Sanno Maru Arrangement, formed in 1981, discussed how to realize the Sanno Maru Park Plan. Chaired by engineering professor Dr. Masaaki Fukuwara, the committee submitted an interim report on the park's arrangement in 1985. The interim report recommended houses for preservation and instructions for arranging the park and collecting historical records.¹²

Two more committees began work in 1989. In February, the municipal government organized the Committee for the Kumamoto Castle Arrangement Plan to perform case studies for other castle parks in Japan. Chaired by Mr. Yoichi Miura, vice-chairman of the Kumamoto Prefectural Cultural Association, the committee has yet to submit its report. The other committee, the Forum to Consider the Future of Kumamoto, first met in June. Chaired by Mr. Kiyoyoshi Ishii, the private committee recommended moving additional public municipal offices out of the castle area. Currently, Kumamoto City is considering the report's proposal.¹³

Financing. In fiscal year 1988, the Kumamoto Castle Account's revenue equalled 812 million yen (\$5.4 million) (table 4-1). Although the park earned money from entrance fees, its largest single revenue source was a city bond issue of 300 million yen (\$2 million). Following the issuance of the bond, charges and fees were the next largest source of revenue, equalling 291 million yen (\$1.9 million). Charges and fees fall into four categories: entrance fees, park-using charges, facility management charges, and parking fees. Entrance fees amounted to 244.8 million yen (\$1.6 million). This figure was over 5 times larger than the next group, parking fees, 43.8 million yen (\$292,000). At 202 million yen (\$1.3 million), subsidies from the general account were the next largest source of income. Funds carried over from the preceding year, 17 million yen (\$113,000), and miscellaneous finances, 1.7 million yen (\$11,300), provided the remaining revenue.

As the second largest source of funding, entrance fees play a major role in financing Kumamoto Castle. The city charges separate fees for entrance to the park and the donjon. In fiscal year 1988, park fees were 200 yen (\$1.30) for adults and 100 yen (\$0.67) for children under twelve. Donjon fees were 300 yen (\$2.00) for adults and 100 yen for children. Those people over the age of 65, people with mobility impairments, and Kumamoto elementary and junior high school students enter gratis. In addition, everyone enters free of charge twice a year--on New Year's Day and during the Hinokumi Festival.

Expenditures for the park in 1988 totalled 798 million yen (\$5 million) (see table 4-2). Construction was the largest, single expense at 333.5 million yen (\$2 million). City bond revenue covered most of the cost of construction. Following construction, employee costs were the next highest. Employee costs included 130.5 million yen (\$870,000) in salaries, 95 million yen (\$633,000) in allowances, and 40 million yen (\$266,000) in insurance premiums. After employee costs, consignment fees and supplies constituted the largest expenditures. Consignment fees and contracted labor were 68.9 million yen (\$459,000). Supplies accounted for 25 million yen (\$166,000).

Tourism. In 1989, 1.4 million paying and nonpaying people visited the castle park. That 1989 figure represents an increase over the previous three years of about 100 thousand visitors. From 1986 to 1988, an average of 1.3 million tourists entered the park each year. The additional 100,000 people visiting in 1989 were

Table 4-1
Kumamoto Castle Park Revenues

<u>Source of Funds</u>	<u>Amount (Yen)</u>
Charges and Fees:	
Entrance Fee	244,884,500
Park Usage Fee	273,600
Facility Management Charge	2,026,000
Parking Fee	43,823,500
Transfer from the General Fund	202,228,000
Carryover from Previous Year	17,041,111
Miscellaneous	
Employment Insurance	302,382
Electric Charges	1,460,659
Proceeds from Lost and Found Auctions	8,856
Repayment	3,423
City Bond	300,800,000
Total	812,852,031

Sources: Office of Kumamoto Castle, Department of Tourism Promotion, Kumamoto City Government.

Table 4-2
Kumamoto Castle Park Expenditures

<u>Expenses</u>	<u>Amount (Yen)</u>
Salaries	130,558,527
Bonuses and Fringe Benefits	95,292,583
Insurance Premiums	40,297,146
Wages	57,727,746
Compensation Money (Merit Pay)	686,000
Travel Expenses	1,355,440
Entertainment Costs	100,000
Supplies	25,454,921
Salaries for Part-Time Workers	5,494,720
Consignment Fees	68,982,560
Rental Fees	2,994,970
Construction Contracts	333,528,000
Materials	1,378,062
Equipment	6,317,700
Contributions	34,000
Taxes	42,000
Interest	27,935,017
Total	798,179,392

Sources: Office of Kumamoto Castle, Department of Tourism Promotion, Kumamoto City Government.

mostly nonpaying students who were viewing the newly renovated portion of the castle. In fact, the number of paying visitors only increased about 25,000 from the previous year and decreased slightly from 1986 (figure 4-6).

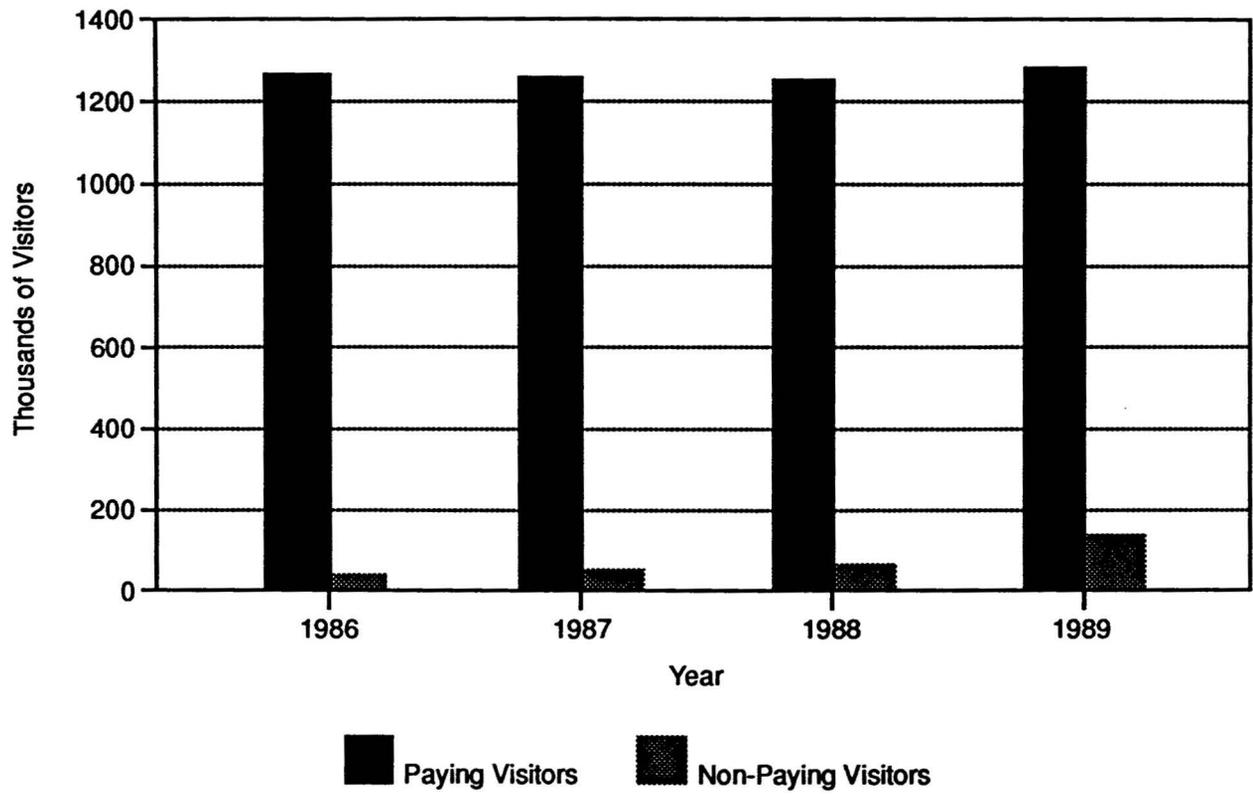
Reflecting seasonal patterns, monthly castle tourism fluctuated (figure 4-7). There were more than 100,000 visitors per month in March, May, October, and November. These months had the highest rate of tourism. In March, high tourism occurs because the castle grounds are rich with the beautiful allure of cherry blossoms. May, October, and November experienced heavy traffic because many school excursions occurred during these months. In contrast, the summer months, June and July, have few visitors (fewer than 75,000) because they comprise the rainy season. August is a common vacation period for the Japanese, hence the slight increase in tourism from the previous two months. Winter cold makes December and January low tourism months.

Analysis of Management. The number of employees has not changed significantly from 1986 to 1989 (figure 4-8). Thus, for the past five years, the ratio of employees to visitors has remained constant at one employee for each 30,600 visitors per year. The ratio's stability indicates that efficiency in managing the castle park's personnel has remained constant.

In 1989, the park's management spent approximately 335.9 yen (\$2.24) for operations and maintenance per visitor. Adding in parking fees, the fees for the donjons, and the basic entrance fee, per visitor expenditure is, on average, less than the amount of money each visitor pays in fees. In fact, Kumamoto Castle generated a modest surplus of 15 million yen (\$94,000). Due to the importance of entry fees and the steady stream of tourists, the castle should continue to cover its operating expenses.

Kumamoto's experience with the castle park could be instructive to San Antonio if it decides to expand its park system. Kumamoto successfully created a park which is able to pay most of its operating costs from tourist fees. Thus, Kumamoto Castle Park is an example of effective and efficient management.

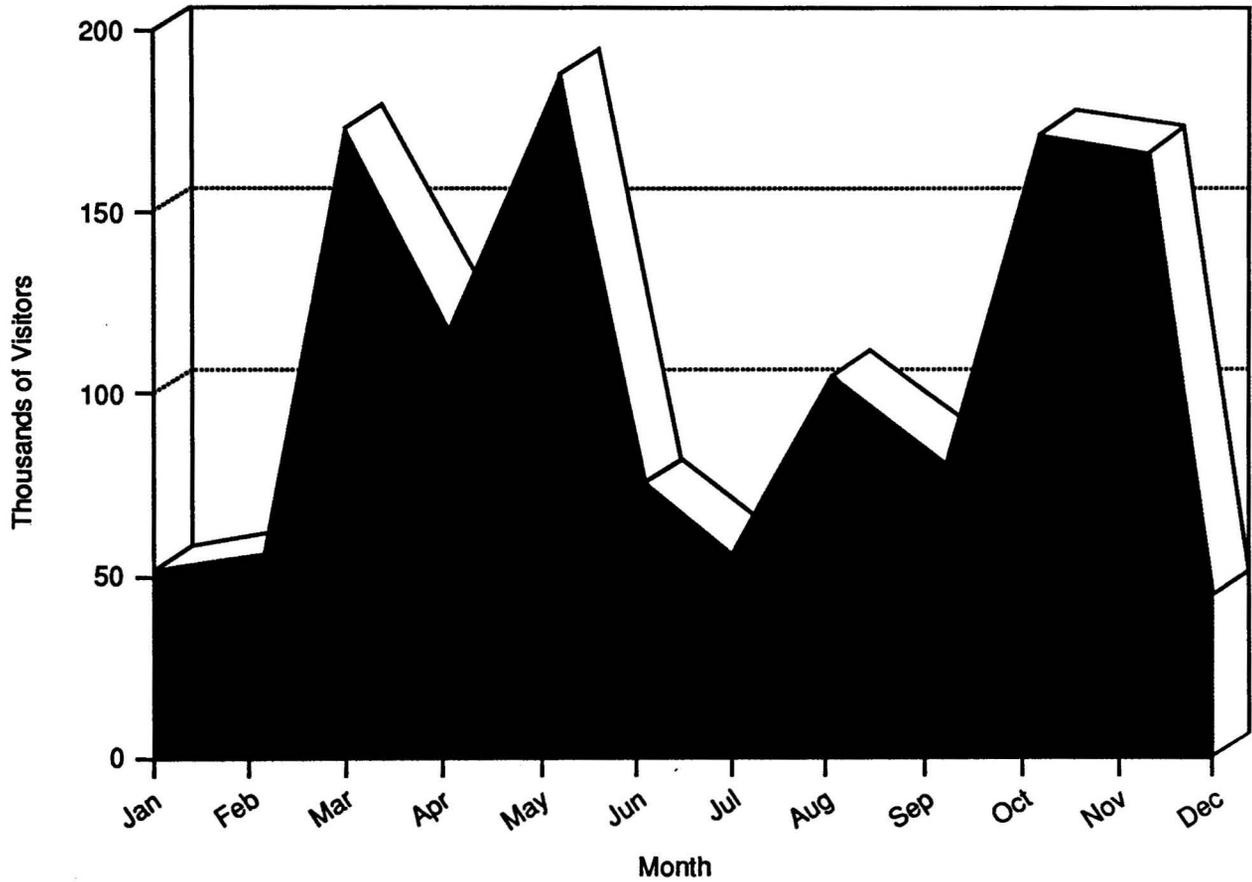
Figure 4-6
Kumamoto Castle Park
Number of Visitors



Sources: Office of Kumamoto Castle, Department of Tourism Promotion, Kumamoto City Government.

Figure 4-7

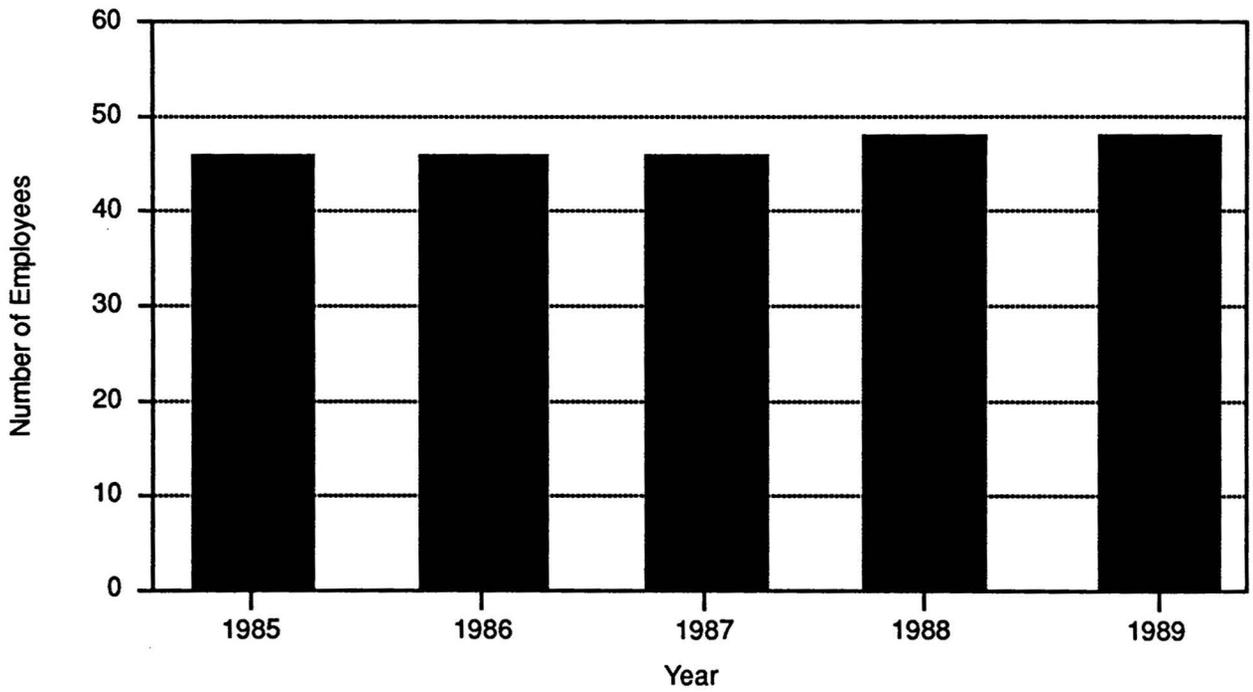
**Kumamoto Castle Park
Number of Paying Visitors in 1989**



Sources: Office of Kumamoto Castle, Department of Tourism Promotion, Kumamoto City Government.

Figure 4-8

**Kumamoto Castle Park
Number of Employees**



Sources: Office of Kumamoto Castle, Department of Tourism Promotion, Kumamoto City Government.

SAN ANTONIO RIVER WALK

Guided by conservationists and entrepreneurs, the evolution of the River Walk spanned seven decades. The development of the San Antonio riverbend area involved an imaginative response to the problem of flooding. Formerly, periodic floods cost the city millions of dollars in damages. However, the San Antonio River area now is a successful commercial district, crucial to the city's tourism industry.

History

The horseshoe bend of the San Antonio River posed a flood problem to nearby settlers for several centuries. In 1929, San Antonio residents organized a flood control project which led to the development of the present River Walk. The evolution of the area, from the initial water-control project to the River Walk, occurred in three phases. The first phase, from 1927 to 1929, marked the construction of a water control dam and a bypass channel. During the second phase, from 1939 to 1941, the river underwent a process of beautification. Commercial development, the third phase, began in the 1960s and continues to the present.

Phase One: Controlling the River. The city decided to build a dam to control the river because of serious flooding problems. In 1919, the engineering firm of Metcalf and Eddy completed a study of the river. The report concluded heavy flooding would cause serious damage to the city. The report's prediction became reality in 1921 when water ran from four to eight feet deep in the downtown area. The flood took fifty lives and cost millions of dollars in property damage.

After the 1921 flood, the city council proposed a three-part solution to the flood problem. First, the council suggested widening the river. Second, it wanted to build a dam in order to control the water level. Third, the council proposed covering the river with cement and building a street over it. According to the plan, the river effectively would have become a drainage sewer.

The City Federation of Women's Clubs and the San Antonio Conservation Society opposed covering the river with cement. Because of the two groups' protracted lobbying efforts, civic leaders abandoned plans to pave over the river. To alleviate flood problems, the city built the Olmos Dam in 1927. In 1929, it also built a bypass channel to divert water from the bend during flooding. These actions solved the flood problem.

Phase Two: Beautifying the River. While the channel project was underway, a young architect named Robert Hugman developed a plan to beautify the river. The beauty and commercial success of the Vieux Carre District in New Orleans had inspired him. His plans included the addition of flagstone sidewalks, stone walls, footbridges, and shops. Hugman entitled his work, "The Shops of Aragon and Romula."

In 1929, Mr. Hugman presented his plans to the San Antonio Conservation Society. The President, Mrs. Lane Taylor, received his ideas enthusiastically. Mr. Hugman prepared a brochure detailing his vision and showed it to prominent citizens. However, the Great Depression limited available funds. Although business people, city officials, and engineers widely endorsed the plan, no one could envision how to finance it.

Then in 1936, Mr. Hugman devised a way to fund the river beautification plan. During the Depression, there were many federally funded job-creation projects in San Antonio. As a participant in some of these programs, Mr. Hugman speculated that his river plan might become such a project. He contacted the Works Projects Administration (WPA), which consented to finance the River Walk's development and construction. The WPA would provide \$310,000 if the city contributed \$75,000. To guarantee matching funds, Mr. Hugman sought help from Mr. Jack White, who operated the only hotel on the river, La Mansion. Together they formulated a plan to finance the project.

The two men initiated the establishment of a bond district on two of the blocks bordering the river. The rules allowed only property owners to vote in the \$75,000 bond election.¹⁴ One landowner, Mr. Book, vehemently opposed the project until Mr. Hugman befriended him. Besides Mr. Book, there were three other landowners in the district, excluding the owner of the La Mansion Hotel. Of those three landowners, one opposed the issuing of bonds to fund the project. Fearing defeat in the upcoming bond election, Mr. Hugman and Mr. White developed a scheme whereby residents of La Mansion Hotel who owned any personal property at all (e.g., a watch or a purse in their hotel room) could vote as "property owners." All of the hotel's residents voted in favor of the bonds. The final vote tally was 74 in favor of the bond issue versus 2 opposed.

Mr. Hugman began work in 1939 as the project's hired architect. This phase of construction produced most of the stairways, sidewalks, arched bridges, landings, and entrances now present on the river (figure 4-9). The additions included 8,500 feet of sidewalk on the riverbank. The project, which employed 1,000 workers, ended on March 14, 1941.¹⁵

Figure 4-9

Arched Bridge over the River Walk



photo courtesy of San Antonio Convention and Visitors Bureau

From 1941 to 1959, the River Walk underwent little development. It functioned primarily as a recreation area. City authorities permitted people to canoe in the bend of the river because it was only three-and-one-half feet deep. Despite Mr. Hugman's and other city leaders' hope for economic development, the only business established in the area was the Casa Rio Restaurant, which opened in 1946.

Meanwhile, crime became an increasing problem along the River Walk. Consequently, city authorities established a curfew of 12:00 a.m. on weekdays and 1:00 a.m. on weekends. In the mid-1950s, an assailant stabbed and killed an army colonel near the River Walk. After the murder, the military prohibited its personnel from entering the park. The city installed a lighting system in 1955 to deter criminal activity. The city also landscaped portions of the site. Besides these changes, the river did not experience significant development until the 1960s.¹⁶

Phase Three: Commercial Development. In 1960, the Chamber of Commerce, the Parks and Recreation Department, and business leader David Straus initiated a study of the river. Their goal was to determine how to improve the bend area. The Chamber of Commerce raised \$15,000 for research, with the city contributing an equal amount of matching funds. The study's sponsors hired the Macro Engineering Company as consultants. The company concluded that, with proper development, the River Walk could become a viable tourist attraction.¹⁷

Like Mr. Hugman, Mr. Straus saw that the river had potential for tourism similar to the French Quarter in New Orleans. Mr. Straus analyzed the Vieux Carre Commission Ordinance governing the French Quarter. Based on the New Orleans ordinance, he drafted one of his own to establish the River Walk Commission. This commission would advise the city on all applications for building permits in the area.

The city council passed Straus's ordinance in March 1962. According to the ordinance,

[the commission] may review proposed construction concerning appearance, color and texture of materials and architectural design of buildings, whereby it proposed to alter, modify, repair, or construct improvements, as well as install signs, or proposed lighting arrangements and any other aesthetic arrangement.¹⁸

In effect, the ordinance empowers the commission with full zoning authority in the bend area. The eleven-member commission still exists today. The mayor and council choose the commissioners. The commission usually includes architects, developers, conservationists, and engineers. The Parks and Recreation

Department provides the commission with the requisite support staff. The River Walk Commission meets once a month to review building and renovation applications.

The original River Walk Commission joined forces with the Chamber of Commerce Tourist Attractions Development Committee for their first major joint project. They hired the San Antonio Chamber of the American Institute of Architects to plan the river's development. A committee of architects, which Mr. Cy Wagner chaired, performed feasibility studies for development of private property along the river. In addition, the committee made recommendations for municipal improvements in the area. It then presented numerous models and drawings to riverbend property owners, civic leaders, and potential tenants.

Responding to these initiatives, the City Water Board built a landscaped plaza on its riverfront property. The plaza became a major entrance to the River Walk. In January, 1964, voters approved a municipal bond that earmarked over \$300,000 for River Walk improvements. Entrepreneurs quickly began to develop property along the river. Concurrently, Mr. Straus began the Paseo del Rio Association, which consisted of River Walk landowners.¹⁹

The selection of San Antonio as the site for the 1968 World's Fair furthered the River Walk's development. In preparation for the World's Fair, the city made several improvements to the River Walk. These improvements included extending the river to the new Convention Center area. A Federal Transportation Grant funded the river extension. As a result of the improvement, conventioners could travel by barge from points along the river to the Henry B. Gonzalez Convention Center. The extension also connected the river to the newly constructed Hilton Hotel. Overall, the most significant commercial development of the river area occurred in the late 1960s.

During the 1970s, the city financed two major projects. First, it relocated a floodgate, which transformed the riverbend from a bend to a loop. Unfortunately, this modification caused water seepage into buildings along the river. Furthermore, rising waters had no route of escape; so the city later removed the floodgate.

The second major project was the paving of the river bottom with concrete. Before paving, there was too much silt on the river bottom for gondolas to operate. The gondolas ferry tourists down the river giving them an excellent overview of the river walk. Mr. Hugman encouraged the city to pave the river to allow gondolas to travel along it. Today, the gondolas are both a popular and profitable tourist attraction (figure 4-10).²⁰

In the 1970s, private sector development included the opening of several restaurants and hotels, including La Mansion and the San

Antonio Mariott. Developer Arthur "Hap" Veltman began to play an important role during the period. Mr. Veltman opened four restaurants: The Kangaroo Court, The Big Bend, Texas 21, and The Original. In addition, Mr. Veltman sold much of the land currently used for other restaurants and shops.²¹

In the 1980s, municipal expenditures for the development of public property along the river totalled \$18 million. Community Development Block Grants along with bond issues in 1980, 1983, and 1985 provided the funds. The improvements involved repairing or replacing sidewalks, fences, drainage structures, pedestrian bridges, and park facilities.

One of the more attractive enhancements to the River Walk was the Paseo del Alamo. The city financed the project in 1981 with a \$10 million Development Action Grant. Lined with fountains, foliage, and a mural, this walkway connects the river to the city's most famous tourist attraction, the historic Alamo.

The most significant construction along the river since the 1960s has been the \$200 million Rivercenter Mall.²² The mall was a public-private venture. The project developer, Mr. Edward J. Debartolo, raised funds from a \$15.8 million Urban Development Action Grant and from the sale of Certificates of Obligation. The project entailed an extension of the bend portion of the river to the mall area.

The ten-acre mall houses over 125 specialty shops and restaurants. The mall has two parking garages and a new 42-story Mariott Hotel. The new Mariott augments the original Mariott built in the 1970s. The fact that both hotels operate near capacity is evidence of the River Walk's appeal.²³

Currently, the River Authority and the U.S. Army Corps of Engineers are working on a project to provide the city's residents better protection from floodwaters. This task will involve constructing two underground tunnels to divert water from the River Walk area to points downstream. One tunnel will stretch 16,330 feet, while the other tunnel will span 6,060 feet. Both tunnels will have diameters of 23 feet. City officials estimate the cost at \$47.7 million and anticipate completion in late 1991.²⁴

Figure 4-10

Gondolas along the River Walk

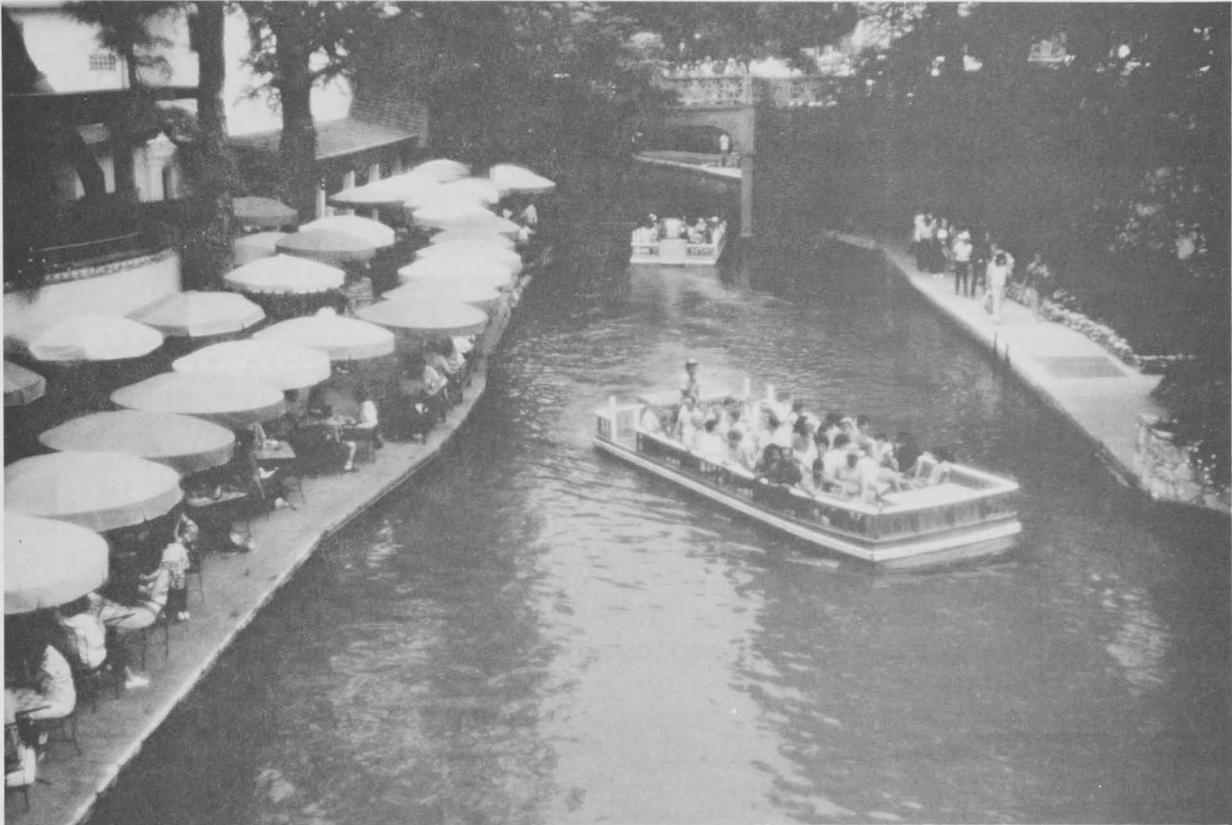


photo courtesy of San Antonio Convention and Visitors Bureau

Management

Three groups now currently manage the River Walk area: the Paseo del Rio Association, the Parks and Recreation Department, and the River Walk Commission. Each of these groups has its own unique area of responsibility for the river. Surprisingly, communication among these organizations is not extensive.

The Paseo del Rio Association. As previously mentioned, the Paseo del Rio Association consists of owners of River Walk businesses. The association's four-member staff publishes a monthly newsletter and coordinates special events along the river. Examples of events occurring throughout the year include the Great Country Music Festival, Fiesta Noche del Rio, Las Posadas ceremonies at Christmas, and a Saint Patrick's Day show. The association furthermore sponsors the Fiesta Parade, three major art shows, the Mardi Gras festival, and a holiday parade, which occurs on the first Friday after Thanksgiving.²⁵

The Parks and Recreation Department. Within the Parks and Recreation Department, two divisions have responsibilities involving the river: the Park Rangers and River Operations. In a typical 24-hour period, 43 Park Rangers patrol the river and assist tourists. These patrols cost the city about \$1,223,457 in fiscal year 1989-1990. Also part of the Parks and Recreation Department, River Operations handles maintenance of the river. This division employs 34 people at a cost of \$1,062,170 for fiscal year 1989-1990. Next year, Richard Hurd, director of River Operations, anticipates losing four employees and \$84,000 next year due to "tight finances."²⁶

Responsibilities of Mr. Hurd's division include fixing sidewalks and preventing erosion of the river's retaining walls. Maintenance personnel also skim the river every day for trash. Occasionally, the Public Works Department assists River Operations in trash removal. Moreover, River Operations is responsible for monitoring the river's water quality. Recently, it sponsored a water quality study. The study found 27 different types of healthy fish in the river, suggesting that the river's ecology was in good condition. Accumulation of silt in the river is not a problem.²⁷

The River Walk Commission. The River Walk Commission consists of council-appointed architects, engineers, developers, and ecologists. The eleven-member commission meets every month. Because it has full zoning authority over the River Walk area, the commission makes significant decisions about the river's future. The commission must approve new construction before it can occur. For example, new hotel construction has to be far enough away from the river's edge for aesthetic and engineering reasons. Aside from

regulatory duties, commission members frequently make decisions about the River Walk's day-to-day business activities and future development plans.

Analysis of Management. One of the original goals of this study was to compare the River Walk's operational inputs with its outputs. The city spent \$2,284,627 operating the River Walk for fiscal year 1989-1990. However, nobody involved with the River Walk has determined how much tax revenue the River Walk generates through tourism.²⁸

Without tax data from each of the individual businesses along the river, it is impossible to estimate the amount of revenue tourists bring to the River Walk. Nonetheless, it is possible to use available data to speculate on the amount of taxes attributable to River Walk tourism. For instance, the San Antonio Convention and Visitors Bureau estimates 9 million people visited the river last year.²⁹ Assuming each tourist spent just five dollars, the resulting sales tax revenues would exceed the total cost of operating the River Walk (\$2,228,462.70).

Alternatively, hotel receipts are a rough indicator of some of the taxes which the River Walk helps to generate. The visitors' bureau showed that 5,000 of the city's 12,000 hotel rooms are near the River Walk. Further, the bureau's research found conventioners accounted for 728,641 room nights in the city in 1989.³⁰ The average cost of a room in the downtown area is about \$80 per night, 7 percent of which, or \$4,080,389.60, goes to the city in the form of hotel taxes ($.07 \times \$80 \times 728,641 = \$4,080,389.60$). This revenue alone is nearly double ($\$4,080,389.60 / \$2,228,462.70 = 1.79$) the city's entire river operation costs.

In addition to the hotel and sales taxes, the city gains revenues from the property and lease taxes which businesses along the river pay. Thus, the revenues the city gains from the River Walk very likely exceed its costs by a considerable margin. However, at present no study has calculated its exact economic value to the city.

CONCLUSIONS

Economic development and renewal enabled the River Walk to play an integral role in San Antonio's vital tourism industry. The River Walk investigation illustrates the important role an American municipal government can have in large, mixed public and private economic ventures. Likewise, the study of Kumamoto City's role in its Castle Park exemplifies the equally decisive part municipalities can play in public development projects in Japan.

The two studies highlight a number of important issues related to municipal management of large public enterprises. First, both municipalities need to assess accurately the full impact of tourist revenues. Neither San Antonio nor Kumamoto City officials know how much of the expenditures of the River Walk or Kumamoto Castle Park they recover through taxes on tourist-dependent businesses. Such knowledge would be useful in determining the true relationship between the costs and benefits of these public projects. Second, the management of Kumamoto Castle Park demonstrates how entrance fees can help cover operating costs. Third, Kumamoto Castle Park's steady maintenance and operations expenditures exemplify efficient use of resources. Expenditures have not increased over time, even with modest increases in tourism. Fourth, San Antonio's River Walk experience shows the value of close cooperation between business and the public sector. For example, cooperation helped create the Rivercenter Mall, which has helped to expand tourism. Fifth, the River Walk's construction and current maintenance point to many noneconomic benefits that the large, publicly funded project produces. Benefits include flood control, aesthetic beauty, sound environmental monitoring, and a safe, lively center of culture and entertainment. Clearly, Kumamoto and San Antonio enjoy many blessings from their respective tourist sites which do not show up in expenditure and revenue tables.

Notes

1. Kumamoto Development Research Center, Field Museum: Kumamoto Castle--Considering the Kumamoto Castle Domain for the Future, Annual Research Report No 1, June 1989.
2. Kumamoto City Education Board, Special Historical Site--Site of Kumamoto Castle: 1982 Report on Preservation and Management Plan, 1982.
3. Research Committee on Kumamoto Castle Restoration, Report on Restoration of Kumamoto Castle, October 1975.
4. Ibid.
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12. Council on Advancement of Kumamoto Castle Sanno Maru Restoration, Preliminary Report on the Kumamoto Castle Sanno Maru Restoration, March 1985.
13. Kumamoto Development Research Center, Field Museum.
14. Robert Hugman, "How 'Paseo del Rio'," The Newsletter (San Antonio, Texas: December 1978).
15. San Antonio River Walk Commission "History of the San Antonio River and Its Development," San Antonio River Walk Policy Guide (San Antonio, Texas, 1989), pp. 19-21.
16. Ibid.
17. San Antonio Convention and Visitors Bureau, "San Antonio's River Walk," 1989. (News release.)
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19. Hugman, "How Paseo del Rio."

20. Interview with Richard L. Bomm, Chief Park Ranger, San Antonio, January 20, 1990.
21. San Antonio River Walk Association, San Antonio River Walk Policy Guide.
22. Rivercenter Mall, Rivercenter Fact Sheet (San Antonio, Texas, May 1989). (News release.)
23. Interviews with Richard Hurd, Director of River Operations, San Antonio Parks and Recreation Department, January 12 and February 8, 1990.
24. Ibid.
25. Interview with Gale Spencer of the Paseo del Rio Association, San Antonio, Texas, January 15, 1990.
26. Interview with Richard Hurd, January 15, 1990.
27. Ibid.
28. The following agencies and persons were sources for this section: River Walk Commission; Gale Spencer, Paseo Del Rio Association; Yolanda Elizando, San Antonio budget analyst; Marlene Hartman, San Antonio coordinator for budget activities; and Down Town Owner's Association.
29. San Antonio Convention and Visitors Bureau, Facts and Statistics (San Antonio, Texas, February 1, 1990).
30. Ibid.

APPENDIX A: Sister-City Questionnaire

Hello _____. My name is _____. I'm a graduate student at the LBJ School of Public Affairs at The University of Texas at Austin. I am part of a group conducting a research project on sister-city relationships. We are surveying Texas cities which have sister cities in Japan. With our findings, we hope to assist the Japan-United States Friendship Commission and other Texas cities in developing successful sister-city relationships with Japanese cities. You have been chosen because you are in charge of your city's relationship. The interview will take approximately 1 hour. I'd like to set up an appointment now with you to conduct the survey.

1. Background information obtained prior to city visit:

City name:

Japanese sister-city name:

Population:

Significant geographic features:

Square miles of city:

Ethnic breakdown (percentages of White, Black, Hispanic, Asian, Other):

Education level:

Per capita income:

Form of city government:

Interviewer(s): _____

Interviewee's Name: _____

Job Title: _____

I'd like to begin this interview with some questions about the history of your Japanese sister-city relationship. I'm going to make some notes during the interview. Would you mind if I used a tape recorder to help me make a complete transcript?

2. When did you start considering a sister-city relationship with a Japanese city? When did you start negotiating with your present Japanese sister city?
3. Was establishing a Japanese sister-city relationship a Japanese or American initiative? Please name the individual or group primarily responsible for proposing a Japanese sister-city relationship?
4. What was the primary reason for initiating the sister-city relationship? (e.g., economic growth, educational or cultural exchange)
5. What were the primary considerations for the final selection of the sister city? (e.g., geographic comparability, economic similarities)
6. How many other sister-city relationships do you have, excluding the one with Japan?
7. During the last year, how many times did a city official or delegation from your city visit your Japanese sister city?
8. During the last year, how many times did a city official or delegation from your Japanese sister city visit your city?
9. During the last year, how often were there official contacts between your city and your Japanese sister city? What form did the contacts take?
10. How many employees work on the Japanese sister-city relationship? How many are full-time, part-time?
11. Do any volunteers assist with the Japanese sister-city programs? Do they volunteer independently or on behalf of an organization? What are the three main organizations the volunteers represent?

12. Do you receive any assistance from other city departments during programs or events pertaining to the relationship? If yes, from which departments and what type of assistance?
13. What is the amount of the city's annual budget allocated for sister-city relationships? How much of that is allocated for the Japanese sister-city relationship?
14. Do you receive funding for the Japanese sister-city relationship from sources outside the city budget? If so, from whom and how much?
15. What are the three largest areas of expenditure you make for the Japanese sister-city relationship?
16. Will your funding for next year be more or less than it was for this year?
17. What are the three organizations which are the strongest supporters of your Japanese sister-city relationship?
18. Are there any key individuals outside these organizations, who also strongly support your Japanese sister-city relationship? If so, who are they and how have they contributed?
19. If any of the previously mentioned organizations or individuals withdrew their support, how would the relationship be affected?
20. Is the Chamber of Commerce or any other business group active in the Japanese sister-city relationship? If so, how?
21. Have any civic organizations or local institutions established a relationship with their counterparts in the sister city?
22. Is there a Japanese community in your city? How is it involved in the sister-city relationship?
23. Has the sister-city relationship contributed to any Japanese investment or joint ventures in your community? If so, what are some examples?
24. What are the three primary benefits you have received from your Japanese sister-city relationship?
25. What benefits do you expect to receive from that relationship in the future?
26. In your view, how does your Japanese sister city benefit from the relationship?

27. Has there been any noteworthy gift giving as part of your sister-city relationship? If so, can you please give us some examples?

Now we would like to ask you some questions about your programming:

28. What media do you use to publicize the sister-city relationship?
29. Have any of the local media done a story on the sister-city relationship in the last year? If so, which ones?
30. What are the three major audiences you target with your publicity?
30. Do you and your Japanese sister city have a written list of mutually agreed upon goals? If so:
- a. When were the original goals first established?
 - b. Are the goals periodically revised?
 - c. May we have a copy of your most current goals?
31. a. During the last year, which program had the highest attendance?
- b. About how many people attended?
- c. How many of those people were from your Japanese sister-city?
32. Were there any programs that did not meet your expectations? In what ways?
33. In what ways is your Japanese sister city involved in helping you plan programs for your city?
34. Relative to your city, does your Japanese sister city currently offer fewer, the same as, or more programs?

Now we would like to ask you some questions about your background:

35. Have you worked in international relations or a related field prior to this job?
36. Have you had other work experiences that helped you in this job?
37. What kind of background, training, or experience do you find useful for this type of work?
38. What foreign languages do you speak?
39. What cultural differences interfere when communicating with the Japanese sister city?

40. Has your office always administered this sister-city relationship? If not, what other offices have?
41. Would you be interested in attending a Sister-City Representative Conference to exchange information this spring in Austin?
42. May we have a copy of your current city budget?

APPENDIX B: Sister-City Conference List

LBJ School of Public Affairs
April 19, 1990

Mr. N. L. Allison, Executive Director
The Japan-America Society
of Houston, Inc.
17 S. Briar Hollow Lane, Suite 301
Houston, TX 77027

Mr. Angelos Angelou
Austin Chamber of Commerce
111 Congress Avenue, Suite 10
Austin, TX 78701

Ms. Mimi Correa
Mayor's Office
City of Austin
P.O. Box 1088
Austin, TX 78767

Ms. Elizabeth E. Costello, Director
International Relations Department
City of San Antonio
P.O. Box 839966
San Antonio, TX 78283-3966

Ms. Carol Flatten
P. O. Box 3827
Beaumont, TX 77704

Dr. Richard Lariviere
Center for Asian Studies
University of Texas at Austin
SSB 4.126
Austin, TX 78712

Ms. Marian Lochs
c/o City of Corpus Christi
Parks and Recreation
P.O. Box 9277
Corpus Christi, TX 78469

Professor Takashi Maeda
LBJ School of Public Affairs
University of Texas at Austin
P. O. Drawer Y
Austin, TX 78713-7450

Dr. Toshimatsu Matsumoto
University of Texas at Austin
Institute for Geography
IGA 368
Austin, TX 78712

Mr. John R. Melcher
City of Pasadena Police
P.O. Box 3209
Pasadena, TX 77501

Dr. Dierdre Mendez
Foreign Business Management
4206 Malaga Drive
Austin, TX 78759

Mr. Yoshimi Minami, Director
Japan Local Government Center
666 Fifth Avenue
New York, NY 10103

Mr. Robert F. O'Connor
Associate Director
Texas Committee for the Humanities
Banister Place A
3809 South Second Street
Austin, TX 78704-7058

Professor Mark Peterson
Management Area - COBA
Texas Tech University
Lubbock, TX 79409

Professor Robert C. Rickards
LBJ School of Public Affairs
University of Texas
P. O. Drawer Y
Austin, TX 78713-7450

Dean Max Sherman
LBJ School of Public Affairs
University of Texas
P. O. Drawer Y
Austin, TX 78713-7450

Col. Edward L. Smith
1903 17th Street
Huntsville, TX 77304

Ms. Tsering Yuthok
International Committee Program Coordinator
Office of International Affairs
City of Seattle
700 Third Avenue, Suite 440
Seattle, WA 98104

Related Publications of the LBJ School of Public Affairs

Latinos and Blacks in the Cities: Policies for the 1990s

\$10.00 (1990, Symposia Series)

In 1968 three pioneering commissions appointed by President Lyndon Johnson — the Kerner, Eisenhower, and Katzenbach commissions — threw a spotlight on our cities and recommended sweeping reforms to reverse the trends toward deepening crime and poverty. Twenty years later a group of policymakers, policy analysts, and public administrators gathered to investigate the current condition of urban areas in this country and to present recommendations for action. Their primary charge was to consider the role of minorities, particularly Latinos and blacks, in forming policies that will help alleviate the condition of the poor. Among those who participated in the discussion were former U.S. Attorney General Nicholas Katzenbach, New York Mayor David Dinkins, former U.S. Congresswoman Barbara Jordan, and former San Antonio Mayor Henry Cisneros. Together with the other participants, they offer insights into the failure of past social programs and propose new strategies for the 1990s. Edited by Harriett D. Romo. 6"x9", 236 pp. (ISBN 0-89940-423-5)

Housing Low-Income Austinites: New Roles for the Austin Housing Authority in Meeting Changing Needs and New Community Demands

\$10.00 (1989, Policy Research Project Report No. 87)

Assesses the local housing situation, the larger housing policy environment, and the Austin Housing Authority's (AHA's) place within both. Looks at the efforts of housing authorities across the nation to address the changing housing needs of Americans and examines in depth the successful innovations of six local housing agencies. Draws on these six case studies to consider the possible roles available to AHA. Recommends actions AHA can take to strengthen its position as a leader in housing policy in Austin. Project directed by Lodis Rhodes. 8-1/2"x11", 122 pp. (ISBN 0-89940-694-7)

Local Economic Development Policy

\$14.00 (1988, Policy Research Project Report No. 80)

Investigates a wide range of issues and strategies related to local economic development policy. Examines a number of financial issues, such as intergovernmental revenue transfers and other financial conditions of local and state governments, that significantly affect the ability of governments to adopt economic development strategies. Also attempts to determine the economic impact of industrial targeting, of foreign firms operating in the U.S., of state export promotion policy, and of state programs to encourage small business development through venture capital programs. Project directed by Robert Wilson and Norman Glickman. 8-1/2"x11", 400 pp. (ISBN 0-89940-684-X)

Equity in the Distribution of Parks Services in Austin, Texas

\$10.00 (1988, Special Project Report)

Outlines a methodology for measuring the equity of municipal parks service distribution. The results are compared to population distributions in Austin in order to evaluate patterns of service distribution by race, ethnicity, age, and income. By Rebecca Howard. 8-1/2"x11", 214 pp. (ISBN 0-89940-859-1)

Urban Growth in Austin

\$8.00 (1986, Special Project Report)

Assesses both the methodological and practical problems associated with projecting population growth in the rapidly growing city of Austin, Texas. By Nancy G. Bunch. Project directed by David Eaton. 8-1/2"x11", 189 pp. (ISBN 0-89940-853-2)

The Emerging Economic Base and Local Economic Development Policy Issues in the Austin/San Antonio Corridor

\$9.00 (1985, Policy Research Project Report No. 71)

Discusses economic development strategies, public-private partnerships, state assistance measures, and other aspects of urban development in the fast-growing corridor between Austin and San Antonio. Includes economic and demographic information about the cities and towns in the area and assesses the effectiveness of various economic development efforts. Project directed by Norman J. Glickman and Robert Wilson. 8-1/2"x11", 155 pp. (ISBN 0-89940-673-4)

The Effects of State Government on Economic Development in Texas Cities

\$9.00 (1985, Policy Research Project Report No. 63)

Evaluates the overall role of the state in encouraging urban growth prospects in Texas. Examines state laws and programs that affect the economies of Texas cities directly (e.g., taxation) or indirectly (e.g., state provisions for regional authorities). Makes recommendations for a more consistent urban growth policy at the state level. Project directed by Glen H. Cope and Robert Wilson. 8-1/2"x11", 248 pp. (ISBN 0-89940-665-3)

To order or to obtain a complete list of publications, write or call the Office of Publications, LBJ School of Public Affairs, The University of Texas at Austin, Austin, TX 78713-7450, (512) 471-4218.

ISBN: 0-89940-702-1