Reinventing Government: It is Time to Recommit

Ted A. Gaebler, City Manager
City of Rancho Cordova

California Municipal Treasurers Association (CMTA) Conference
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Ted A. Gaebler

City Manager, City of Rancho Cordova
First: the Bad News

- Attacks on public sector pensions
- Doing more with less
- Layoffs
- Budget cuts
- Furloughs
- Hiring freezes
- Pay freezes or cuts
- Raising employees PERS contributions
Tiny city has big pile of money

The term "rotten borough" emerged in 16th-century England to describe a town that had received royal permission to send members to Parliament but lacked sufficient population to justify representation.

COSTA MESA - Nearly half the city workers in Costa Mesa received layoff notices last week. Street sweepers, firefighters, mechanics, payroll clerks, animal control workers, in all, about 210 of the city's 472 employees, many of whom have worked there for decades.

On Thursday, as the notices were being handed out, one maintenance worker committed suicide by jumping from the city hall roof.

"It's like they decided to blow up the city," said Billy Folsom, 58, a mechanic who got a pink slip. "It's devastating."

City leaders say the cuts are necessary because the escalating costs of providing pensions for police, firefighters and other unionized employees are draining the city's revenue.

Within three years, city projections show, more than one of every five tax dollars will be spent on employees' retirement benefits, which were made far more generous in the years before the stock market crashed in 2008.

"Just do the math - this is unsustainable," said Jim Righeimer, the city's recently elected mayor pro tem. He campaigned on the pension issue, eliciting anger and a counter-campaign from the city's police and firefighters.

"Under these kinds of burdens, we can't do everything the city needs to do."

Republican efforts to roll back public employee benefits and bargaining rights have triggered mass protests in places such as Wisconsin, Indiana and Ohio. But in Costa Mesa, where conservatives dominate politics, the offensive against worker compensation has gone further.

Already, in many states, some politicians ideologically opposed to public employee unions have attributed the problems to their greed and political influence. Now members of those unions are in TOWN.
Former Bell City Administrator Rizzo arraigned on corruption

March 24, 2011 | Corey Moore | KPCC

Former Bell City Administrator Robert Rizzo was arraigned today in Los Angeles Superior Court on dozens of corruption charges. Rizzo and other former city leaders are accused of scamming Bell out of millions of dollars.

Rizzo and former Assistant City Manager Angela Spaccia pleaded not guilty on dozens of charges, including misappropriation of public funds. Prosecutors have added more criminal counts including at least three conflict of interest charges against Spaccia.

Former Bell city mayor Oscar Hernandez and Luis Artiga, who sat on the City Council, were also in court. They are charged along with four other former city officials in a separate case that alleges misappropriation of public funds.

Photo courtesy of the Los Angeles Police Department via Getty Images

Robert Rizzo, former City of Bell, California city manager, is shown in this undated handout image provided by the Los Angeles Police Department.
Pensions are taking a toll on public services

NEW YORK CITY — When the mayor of one of America’s most liberal, labor-oriented cities proposes significant public employee pension reform, it’s clear that big change is coming.

That’s what happened when New York Mayor Michael Bloomberg threw his pension reform package on the table.

His proposal changing the rules for new hires includes:

► A minimum age of 65 before any retiree receives a pension check.
► Higher employee contributions.
► Ten years employment before pension rights vest.
► No spiking of overtime to balloon a worker’s final three years salary upon which pension benefits are calculated.

Bloomberg’s proposal isn’t the ultimate in pension reform. Even the politically independent mayor failed to take on public safety unions.

In post-9/11 New York, police and fire fighters remain sacred despite composing the far most expensive pension contingent.

Nor does his proposal include converting the NYC retirement system from defined benefits to a private sector-style defined contribution plan.

The former represents the current set-up in which taxpayers bear the risk that the plan’s investments produce the promised results. In the latter, the risk is shifted so that monthly pension depends on the prudence of the plan’s investments.

Like the Big Apple, Marin faces a ruinous escalation of pension costs. This year, the total cost to county taxpayers for both pensions and ever-increasing retiree health care is $58.4 million out of a $443.8 million annual budget.

That’s the short-term hit. The county pension plan’s long-term unfunded liability is in the hundreds of millions.

No one, not Bloomberg or even New Jersey’s parsimonious GOP Governor Chris Christie, has the slightest idea how to defuse the pension bomb whose detonation is already guaranteed by overly generous retirement benefits that are legally vested.

Even more desperate is the plight of Marin’s 11 cities, along with the county’s fire, sewage and water districts.

At least county government has managed to require most of its employees contribute toward their retirement. Many cities and special districts still grant their employees the indefensible perk of paying the employees’ share of mandated pension contributions.

At least two Marin public officials publicly acknowledge the predicament and are working on solutions.

County Administrator Matthew Hymel consistently proposes balanced budgets by addressing short and long-term pension costs. He hasn’t hesitated to remind the Board of Supervisors that the inevitable result of its past profligacy will be reduced public services provided by fewer employees.

Larkspur Mayor Larry Chu is one of Marin’s few elected officials risking the wrath of powerful public employee unions by proposing systematic changes in how Marin’s municipalities negotiate pensions.

Chu is leading the effort by the Marin Mayors and Councilmembers and the city managers’ association to formulate guidelines to address the challenge. It remains an open question if any of the jurisdictions will follow Chu’s lead by making meaningful change.

Reforming pensions isn’t inherently a conservative issue. The politically courageous but so far unsuccessful move by San Francisco’s progressive Public Defender Jeff Adachi to reform the city’s retirement system shocked many old-time labor-oriented liberals.

Adachi understands that government is now a zero-sum game. Cash consumed by gold-plated pensions directly harms those most in need of public service. His effort to change the status quo reflects fundamental progressive values.

Nor is pension reform a cause championed solely by those with ideological antipathy to organized labor.

Bloomberg is not noted as anti-labor. He, like Adachi, received the endorsements of their respective cities’ public employee unions in past reelection bids.

Both understand, as Bloomberg spokesperson Mark Lavorgna put it, that out-of-control pension deficits “are eating into everything we want to do.”
Poll: Unions are OK, public pensions not

58% SAY RETIREMENT BENEFITS SHOULD BE SCALED BACK

By Jon Ortiz
jon.ortiz@ascend.com

California voters don’t have a problem with unions, but 58% percent say public employee pensions, promoted by organized labor, are too generous, according to a new Field Poll.

Nearly half of registered voters – 46 percent – believe unions do more good than harm, while only 28 percent believe the opposite.

But strong majorities support capping public pensions, increasing what government workers pay toward their benefits and raising their retirement age. And by a narrow margin, they support a state government commissioners’ controversial idea to alter pension formulas for current employees.

“Public pensions are now seen as too generous,” said poll director Mark DiCamillo.

Reports about pay and pensions abuses in Bell, University of California professors’ complaints about their six-figure pension terms and last month’s Lodi Flower Commission report that concluded retirement obligations are “smashing” state and local government budgets prompted the perception, DiCamillo said.

In 2009, Field Poll voters found that 53 percent of California voters thought public pensions were “unfair” and 40 percent thought they were “about right.”

This month, the polling flipped: 42 percent said pensions are too generous and 36 percent said pensions are about right.

Steve Maviglio, spokesman for Californians for Health Care and Retirement Security, a union coalition, said the Field Poll doesn’t reflect reality.

Many public employee unions have bargained pay raises and increases in employer contributions. Maviglio said. Many have lost their jobs or taken furloughs.

Government workers don’t retire at age 65, he said, but “it’s not clear that public employees have made a move to budget battles at the state and local level.”

Still, the Field Poll results suggest labor is losing the pension fight, even among union-friendly Democrats.

Nearly three-quarters of voters, including 88 percent of registered Democrats, want to establish an upper limit on pension benefits: Only 20 percent disagree.

Sixty-nine percent of those polled, including two-thirds of Democrats, want state and local government workers to pay more toward their own pensions.

MARCIA FEITZ, president of California Federation for Fiscal Responsibility.

This poll should make it very clear to politicians that the public supports the Little Hoover reforms. (Gov.) Jerry Brown needs to consider this.”
PENSION WARFARE

Unions, politicians and think tanks join the battle over government pensions
Is it time for state and local governments to end guaranteed pensions for public employees?

Ben Boychuk: Sadly, yes

It’s an immutable law of politics: When circumstances change, policies must change.

Requiring local government workers to contribute substantially more to their retirement plans would reflect a profound change in circumstances. Given the massive public pension liability facing California, the era of defined-benefit pensions simply must come to an end.

We can agree that governments should never have countermanded contribution holidays or retroactive benefit increases. But the damage is done. We can also agree that rank-and-file local government employees shouldn’t bear sole blame for the short-sighted and often disinterested decisions of union bosses, elected officials and unelected managers. But the old deal is still a bad deal; it’s unsustainable.

And as Pia knows, even if we hold government workers blameless for compounding blunders, taxpayers won’t get off so easily. Californians would be forced to make good on at least $49.6 billion (according to the institutional credit agency Moody’s) up to as much as $500 billion (according to a Stanford University doomsday scenario) in unfunded pension liabilities.

Pia Lopez: No way

Our starting point should be this: People who have worked for a lifetime, in the private or public sector, deserve a stable, predictable income in their old age.

Guaranteed pensions remain a sound option. But management stemming from the greediness of good economic times should not herald their end. In 2009, more than half the states had fully funded public pension systems. By 2008, that number had shrunk to four states.

Why? Governments made very bad decisions to take “contribution holidays.” For example, the annual state contribution to CalPERS dropped from $1.2 billion to $150 million. The University of California went 20 years without paying one dime into its pension fund. Cities and counties dropped contributions below actuarily recommended amounts.

At the same time, they negotiated deals with public employee unions that raised pension benefits. Triply worse, they made these sweetened benefits retroactive.

Workers are...
RELAX—WE’LL JUST RAISE THE DEBT CEILING AGAIN...
... develop and set forth recommendations for minimal educational and certification standards for city clerks, city managers, and city treasurers ...
NEXT 10 MILES CLOSED FOR NO APPARENT REASON
Edgar gave up his protest in disgust after learning that it would take three weeks to obtain a permit to hold a demonstration.
The day Tommy learned the full meaning of
The term “cash-strapped city government”
If governments were created by us to do things for us, collectively; why do our governments have such a low approval rating?

19%
"The word government is from a Greek word, which means ‘to steer.’ The job of government is to steer, not to row the boat. Delivering services is rowing, and government is not very good at rowing."

– E.S. Savas
Trends Driving Government Change

- City of Bell Drama
- Pension Reform
- September 11, 2001: The Attack on America
- The emergence of other service providing institutions
- Technology
- The need to regain public confidence
- Loss of trust in government
- Changing ethnic make-up of society
- Globalization
Political Environment

Elected Officials/Appointees

Government Organization
Basic Assumptions We Used to Make About Government

1. We exist to provide services
2. Citizens are demanding more service
3. Government buildings and procedures need to be intimidating to average citizens in order to maintain control and make democracy work
4. Only taxes fund government services
5. Once we provide a service, we rarely terminate that service
Basic Assumptions We Used to Make About Government (continued)

6. We need to do it all ourselves
7. The services that governments provide are so unique that only governments can provide them
8. Red tape and mountains of paperwork are a fact of government life
9. We used to believe only governments can exercise ‘police powers’ and regulate
10. Governments cannot make a profit
We Need a Government Revolution

“Edison didn’t set out to improve the candle”

- Christopher Whittle
“We need a new government for a new century, humble enough not to try to solve all our problems for us, but strong enough to give us the tools to solve our problems ourselves.”

– President Bill Clinton’s Inaugural Address
January 20, 1997
What Forces Drive Innovation in Business?
Forces Driving Business Innovation

- Fear of going bankrupt
- Fear of product obsolescence
- Beating the competition
- Shareholder return on equity
- Return on investment
- The voracious search for new products
- Time to market
- Market share
Do those same forces drive relentless innovation in our governments?
FOUR WAYS NOT TO CHANGE GOVERNMENT

1. Bring in Private Sector Executive Talent
2. Bring in Academics or other Do-Gooders
3. Use Consultants to Produce Studies
4. Have Politicians Run as Outsiders
How to Reinvent Government Effectively

Empower the public employee... at all levels.
What is Reinvention?

- It is replacing bureaucratic systems with entrepreneurial systems.
- It is about creating public organizations that habitually innovate.
- It is about creating a public sector that has a built-in drive to improve.
- It is governments that become “self-renewing systems.”

What Reinvention is Not

- *Not* about reinventing politics
- *Not* about cutting waste, fraud and abuse
- *Not* synonymous with “Privatization”
- *Not* about running government like a business (i.e., different motives, funding sources, and market structures)
- *Not* raising taxes
What Reinvention is Not, continued

- **Not** a stand-in for simply making government more efficient
- **Not** reorganization; not moving boxes on an organizational chart
- **Not** just re-engineering or TQM
- **Not** victimizing public employees by “downsizing” or “rightsizing”
City of Rancho Cordova

2010 All-America City Award

2009
Sacramento
Workplace Excellence Leader

L.P. Cookingham
“Career Development Award”
Here’s one city that has it right

RANCHO CORDOVA’S CREDIT RATING RISES THANKS TO PRUDENT POLICIES

Citing the state’s inability to close its budget deficit, Fitch, the bond rating service, downgraded California’s bonds last week from A- to BBB. The downgrade could cost the state’s taxpayers as much as $7.5 billion in added interest over a 30-year period.

But as California’s credit rating falls, the ratings for the city of Rancho Cordova, population 65,000, have risen. Standard & Poor’s, another national rating service, last month upgraded the city’s credit rating two notches, to A+.

It’s difficult to compare a city the size of Rancho Cordova with the state of California and its 38 million residents, but Rancho Cordova has a measly $37.1 million in debt.

California also cuts back on street maintenance.

Because it contracts with private firms for these services, the city has the ability to modify contracts without ruffling feathers of city workers who elsewhere have influence with city councils and enjoy protections such as those allowing senior workers to bump more junior employees. All of that takes time while costs continue to mount as revenue plummets.

Even though it doesn’t have a unionized work force, Rancho Cordova’s pay scales are not out of line with those of other cities of comparable size, according to Gaebler. The city sets salaries based on a survey of 16 nearby jurisdictions with populations between 40,000 and 140,000, plus the city of Sacramento and Sacramento County. Salaries are set annually at 5 percent above the median for surveyed jurisdictions.

But jobs aren’t guaranteed, and wage increases...
What the City of Rancho Cordova Has Done

- City Manager Mandate
- Act as a Broker, Catalyst, Facilitator
- City Manager Ordinance
- Culture of Trust with Council
City of Rancho Cordova Finance Innovation

- Annual Corporate Report
- Citizens Financial Report
- Mid-Year Budget Reforecast
- Contract City
- Rent City Hall
- Cannabis Business and Cultivation Taxes
- Your Tax Dollars at Work Video
Your Tax Dollars At Work Video
How to create the kind of culture so employees can innovate more?
Tedisms

Pushing to find the “real” edges on perceived boundaries
Mine the Minds of All Existing Employees

- Office of New Ideas
- Matrix Management
  - Cross Training
  - Task Forces
- Reward employees with “stock certificates” so they feel like they own a “piece of the rock”
RANCHO CORDOVA CITY HALL

Congratulations
This Certifies that

Stephanie Snyder

Has provided exceptional service to the City of Rancho Cordova and its citizens.

This Certificate represents “ownership” of 100 shares of stock in the Rancho Cordova City Hall that is such an important milestone in our new City’s history.

This Commemorative “Stock Ownership” Certificate signifies a break with governmental tradition by rewarding outstanding performance in the success of our municipal corporation.

This Certificate is non-negotiable and non-interest bearing. It can only be sold to the City at its par value of $1 per share.

If this beautiful Commemorative Certificate is ever redeemed, it only has monetary value if it is presented for redemption to the Treasurer of the City of Rancho Cordova before one year has elapsed of the above-named awardee’s last service to the City.

IN WITNESS WHEREOF,
the City has issued this Certificate signed by its duly authorized officer
and sealed with the Seal of the City

this 21st day of April in the Year 2006.

Ted A. Gaebler
City Manager

COPY

CITY OF RANCHO CORDOVA
CALIFORNIA
Incorporated 2003
Connect 9 Dots With 4 Straight Lines
Foster Organizational Courage

- Our employees need to know it’s okay to try new ideas and fail.
- We need to protect them with our magic cloak of invulnerability.
- Nugmeyer Award
City Manager Mandate

“... the successful future of the city government demands that the City Manager be aggressive, innovative, and willing to take risks. The City and City Manager’s mutual responsibility is to help shape a Rancho Cordova city government capable of meeting those challenges.”

Second Employment Agreement with City Manager and City of Rancho Cordova, pages 7-8.
City Manager Mandate

- Create community and citizen pride in City government
- As time goes by, build a modern paradigm of government by:
  - Developing the capacity for intelligent change
  - Determining the benchmark agencies by which we can measure our progress
  - Creating a city government that has never existed before in California
  - Becoming a benchmark for other city governments to emulate

Second Employment Agreement with City Manager and City of Rancho Cordova, pages 7-8.
“The City Manager is authorized to approve expenditure adjustments within individual funds so long as the total appropriated within each major fund is not exceeded.”
SECTION 2.2. The City Manager may authorize contracts made by negotiation, provided that the amount does not exceed one hundred thousand dollars ($100,000). When the amount exceeds one hundred thousand dollars ($100,000), the action must be authorized by the City Council.”
SECTION 1.6. Competitive Salaries. In recognition of the critical importance of staff and consultants to achieving the objectives and potential of the City, it shall be the duty of the City Manager to establish and maintain salaries and benefits sufficient to attract and retain talented, creative and dedicated employees and consultants.
Each calendar year for the duration of this Agreement, **City Manager commits** to produce additional revenues, identifiable savings or a combination of both that will be equal to or greater than four (4) times the City’s investment in the City Manager. During the annual evaluation by the City Council, the City Manager will present data supporting this commitment, and the City Council will be the sole judge of whether or not this commitment has been met.
A decent, happy place, with air to breathe, with a place to stand in the sun, a place for children to run and play and learn—a place where people of all ages can become lifelong learners—a place where black, brown, white, yellow, and red people from all economic and ethnic groups in our society can live together in peace and harmony.
What Is Our Collective Vision of Good Government?

How Will We Know One When We See One?

- A government that, in harmony with other societal institutions, contributes to the improvement of the quality of our lives
- A government that helps citizens achieve their desired outcomes
Possible Outcomes of Good Government

- Government works better
- Government costs less
- Can add to economic competitiveness
- Increases productivity
- Increases employee morale
- Increases citizen satisfaction
- Increases societal equability
- Is more respected
City Treasurer Commitment to Reinvention

I...

Check all that apply

☐ am discouraged by the current government approach/rating
☐ am committed to and optimistic about public service

I...

Check one

☐ am only wishing/considering reinvention
☐ am just beginning the process of reinvention
☐ am midstream in the process of reinvention and am going strong
☐ have made good progress toward reinvention, but have recently regressed
☐ have helped reinvent my organization

I WILL ...

Check all that apply

☐ remain committed to excellence and accountability
☐ promote the principles of good government
☐ accept ambiguity and uncertainty
☐ alter my expectations
☐ hold myself accountable for outcomes
☐ manage my own morale
☐ add value
☐ keep learning

Signature/Commitment

April 23, 2013
The reasonable person adapts himself to the world; the unreasonable one persists in trying to adapt the world to himself.

Therefore, all progress depends on the unreasonable person.

George Bernard Shaw 1856-1950
Thank You

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City of Rancho Cordova

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The American Paradox

We want governments to have limited powers and yet be efficient. Inefficiency is part of the price we pay for having a government designed to be incapable of the tyranny of kings.

Because of our fear of government power, we have designed our governments to be costly, slow and inefficient by insisting on Separation of Powers, Checks and Balances and Federalism.
The City Manager and the City Council agree that the mandate for this position is to:

- Provide excellent, not mediocre, government services that are:
  - Efficient
  - Effective
  - Well-respected
  - Entrepreneurial

Second Employment Agreement with City Manager and City of Rancho Cordova, pages 7-8.
SECTION 1.9. Regular City Council Meetings. The City Manager shall prepare the agenda for regular City Council meetings.

Special City Council Meetings. The City Manager or Mayor may schedule and set the agenda for special meetings of the City Council.
1935 San Diego World Fair

It was thought that the only way to recover from the Depression’s dismal slump in economy and morale was to make a “Gigantic Effort.”

The 1935 San Diego World Fair was intended to be that effort.
It was agreed that timing was right for the following reasons:

- Estimated 5 million visitors would bring millions of dollars into the San Diego economy, or go home singing the praises of the wonderful city.
- The City was not starting from zero, The City owned the location which had existing buildings and ample space to build a new section.
- Timing was right, but critically short for planners to arrange exhibitors, attractions and performers.
- The federal government could be expected to contribute heavily with funding and labor.
What will California’s World’s Fair Be and What Part Will YOU Play?
Nine Basic Characteristics of an Entrepreneurial Leader

1. Rebuilds organizations around customers
2. Focus on outcomes, not inputs
3. Encourage waivers and exceptions
4. Translate vision into action
5. Initiate “stuff”
Nine Basic Characteristics of an Entrepreneurial Leader (continued)

6. Generate excitement and passion
7. Change incentives that drive behavior
8. Create an environment for “outside-the-box” thinking
9. Challenge the rules
1. Rebuild Organization Around Customers

- Get feedback from customers & use it
- Encourage staff to put themselves in customer’s shoes
- Get win/win solutions for customer & organization
2. Focus on Outcomes, Not Inputs

- Realign rewards around achievement of outcomes
- Evaluation systems tied to outcomes
- Benchmark to other public & private businesses
3. Encourage Waivers & Exceptions

- Establish parameters for staff to make exceptions without authorization “from above”
- Discourage use of “pat” terms—“it’s the policy”, etc.”
- Recognize each customer situation as unique
4. Translate Vision Into Action

- Expect staff to use vision as “template” for decision making
- Look for opportunities to acknowledge short term results
- Positively reinforce those who focus on vision achievement
5. **Initiate “Stuff”**

- Throw a lot of balls in the air
- Use crisis as opportunity to use innovative solutions to act
- Ensure intelligent risk taking; educate employees a lot
6. Generate Excitement & Passion

- Help staff believe they can make extraordinary things happen
- Encourage staff to make creative contributions; have fun
- Utilize many different strategies to motivate
7. Change Incentives That Drive Behavior

- Use team incentives--celebrate progress; move toward team rewards
- Create environment which encourages learning from success and failure
- Provide an environment in which employees can take pride in results
8. Create Environment For “Outside The Box” Thinking

- Establish an office of NEW IDEAS
- Model use of creative thinking techniques
- Challenge staff to look for unique strategies to solve problems
9. Challenge The Rules

- Respond to needs, not rules & policies
- Create expectations that systems will be constantly modified
- Provide forums to question status quo
FOUR WAYS NOT TO CHANGE GOVERNMENT

1. Bring in Private Sector Executive Talent
2. Bring in Academics or other Do-Gooders
3. Use Consultants to Produce Studies
4. Have Politicians Run as Outsiders
Roosevelt Era

1932: 20.1%
1976: 38.4%
2009: 30%

91% → 38.4% → -22%
Prerequisites for Reinventing Government

- Absence of anarchy
- Stability in societal institutions
- Trust in government and the essential fairness of its institutions
- Low citizen tolerance for corruption
- Crisis or a “sense of crisis”; i.e. a burning platform
Prerequisites for Reinventing Government (continued)

- Transparency of all government transactions
- Professional civil service
- Leadership – political will and courage
- A growing middle class
- Continuity of leadership
- Capability of investment in reinvention strategies
Not Prerequisites for Government Reinvention

- The absence of a dictatorship
- A tradition of democracy
- Competitive political parties
- A bill of rights
- A focus on human rights
- A free press
- An activist citizenry
- A strong interest in voting
- A healthy or growing economy
Challenge the Service Presumption

Leadership in the governmental sector requires courage like never before. In previous eras it was assumed government was here to provide service. Now every leader and employee in the governmental sector needs to have the courage to challenge that assumption in every aspect of the job.

If we don’t challenge it, the public will.

Shapeshifting
Office of new ideas

What does victory look like?

A value-add is to shape shift; that is to take the same information everyone has and provide a new perspective; that is to change paradigms.