the
Public Strategies Group

Architects of Results-Based Government

City of New Orleans
A Transformation Plan for City Government

Prepared by The Public Strategies Group
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New Orleans Mayor Mitch Landrieu engaged The Public Strategies Group (PSG) to conduct a diagnostic assessment of the city organization to identify opportunities for transformational change that will increase the organization's effectiveness, efficiency, adaptability, and capacity to innovate. Our work was focused on a broad review of the city's organizational structure, management systems, culture, and business practices. It did not delve deeply into delivery of services by specific departments.

To compile our findings, PSG interviewed more than 60 employees, customers, residents, community leaders, City Council staff, and business people. We also read extensive background material. Finally, we tested draft findings with 50 of city government's leaders in a retreat on December 2nd and 3rd. They confirmed our findings and added additional detail. We will briefly summarize these findings before moving to the plan for transformation we developed with them at the retreat.

The city of New Orleans has significant strengths. It has vital, engaged civic groups working hard to solve the community's problems and eager to partner with city government. It has new leadership with a mandate for change and broad support throughout the city. It has significant federal funds flowing into the city, though most of that money is already committed to particular projects. And though race is still a land mine in New Orleans, there is a more positive racial climate than the city has experienced in a long time. After the failures of the Nagin administration, most citizens—of all colors—are more interested in results than race.

A core of dedicated city leaders and employees have performed far above what anyone could have been expected in the wake of "the storm." Short-staffed, with little support, in many cases without their homes and families for months, these people for the last five years have helped bring the city back and they continue to give their all.

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At the same time, the city faces more challenges than we have ever seen in an American city. The problems created by Katrina are well known, but they impacted a city government that was already suffering from incompetent leadership and widespread corruption. A 2009 New Orleans Voter Survey by Market Research Insight found that 72 percent of residents felt that their city government performed worse than other major city governments, 61 percent agreed that there was "a lot" of corruption in New Orleans city government, and 32 percent agreed there was "a little." Huge trust issues remain, and while they are hopeful the new mayor will improve things, most residents expect that when they deal with city government, it will be frustrating at best.

Financially, the city faces a structural deficit year after year of about $50-80 million, well over 10 percent of the General Fund. The city's annual debt service for the next five years is a staggering $100 million a year, a level ratings agencies classify as "excessive." Pensions consume at least $60 million more. New Orleans taxpayers are paying nearly a third of their property taxes just to pay interest on debt, between the city, the school board, the Sewerage and Water Board, and so on. Property tax rates are well above all neighboring parishes save Mandeville, and the sales tax is higher than Jefferson Parish, the region's retail hub. Yet infrastructure needs are overwhelming, as the Bureau of Governmental Research recently reported. Meanwhile, the tax collection system is rife with leaks, and the city lacks strong central financial controls, which would allow it to track spending more quickly and accurately.

The themes below describe the key internal challenges the city's new leaders face. The anonymous quotes are typical of what we heard in our interviews. These themes were echoed many times.

I. Findings

Crisis Management. New Orleans faces so many challenges that its leaders are running hard just to stay in the same place. There are so many crises to manage that it is hard to avoid being reactive. The public's priorities are fairly clear to most people (crime, blight, education, the quality of the streets, leaking water and sewer systems, permitting processes, a city government that doesn't work). But city government is not yet driven by a sense of priorities.

> *"The first challenge is that we are stuck in putting-out-fires mode. But we can't stay in this crisis mode, putting out fires."*

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"The volume of issues City Hall faces is tremendous. We need a strategic framework that will assist us in prioritizing. The immediate must not take precedence over a long-term strategic map."

The culture of New Orleans is focused on relationships, not results. Corruption has long been a way of life. Both of these realities have shaped city government.

"In New Orleans… when I sit with my folks and start talking results, they're talking people. There is a distinct difference between what I focus on and what they focus on. They focus on people: `That person is very nice, we've worked with them for a long time.' I focus on results. Culturally, that' a big difference."

A Hierarchical Organization. The city organization has long been very hierarchical, and many employees feel like they have no power at all. In some cases, frontline staff bear responsibility without the commensurate authority needed to do the job. Other times, employees find themselves mystified by power exercised outside the chain of command. Most feel they don't even know what's going on within city government; most of the news they get is through gossip in the halls. Sometimes their neighbors hear major developments on the news before they're even aware of them.

"The culture here is a lot of chiefs, no Indians—a lot of people who take authority inappropriately. There wasn't a clearly delineated chain of command in the last administration. For instance, I'd be working on a project, and someone would knock on the door, tell me what they wanted me to do with the program. I'd say, 'Who are you?' 'Well, I'm the deputy X, and so I have power over you.'"

There has been a history of poor management in city government, culminating in the previous administration. This has had a tremendous affect on employee morale and behavior.

"The dysfunction is amazing. The message from the top was, 'Management is not important. I brought you in here, do it and don't bother me.' There were no staff meetings in the last two years. It was like The Lord of the Flies. The kids took over the island and big kids took over more of the island. Individuals carved out their own fiefdoms. It was all about money and contractors. No one was watching. No one was talking to Council."

"The biggest issue is, because of eight years with no leash, they've gotten comfortable running free. They need tough love. There's a lot of insubordination."

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Employee Culture. Many employees feel undervalued and powerless. Some have not fully recovered from Katrina. They experience little communication and few rewards or shows of appreciation, and now their pay has been cut via furloughs. So some are apathetic, some are fearful, some don't put in a full day's work. The weight of "the way we've always done it" impedes improvement. Few see themselves as part of a team pursuing the public good. As in most public bureaucracies, many feel they are victims; they blame others for what happens to them, and like most victims, many refuse to take responsibility for making things better.

> *"Because of the low pay they feel as though they're entitled to not work as hard, or not give 7 or 8 hours of work. That's prevalent around City Hall. Especially with the 10 percent pay cut, that makes a lot of people angry. So they say, I just won't work as hard."*

> *"I think a lot of the culture here is passing-the-buck mentality. If you're a long time civil servant—and I'm not—people feel they have an entitlement. You don't have to work as hard any more. It seems to happen at about 20 years; seems like they all have this attitude or disease: 'I've been here long enough, I've paid my dues. I'm locked into that retirement system, and there's very little you can do to me.' It would almost take an act of God to fire a civil servant. They abuse the sick leave policy; they abuse the leave policy; they know what to do and what not to do, and they'll run the games on you. They know the games very well."*

Workforce Capacity. The current employees do not have the collective capacity to handle the challenges facing the city. It is partly a matter of numbers, partly a matter of attitude (see the previous point), and partly a matter of skill levels. In many cases, even basic skills are lacking. Training is weak. The coming retirements of many will only exacerbate this problem.

> *"City employees care. They get a bad rap. They are stuck in a system that didn't allow them to grow and achieve. The majority want to help the city. But 30-40 percent shouldn't be here, because they lack the competence and ability we need. We have secretaries who can't type—a lot of pretty basic stuff."*

> *"The financial department, which is really accounting, went from 360 people to 90. The people here are the survivors. A lot didn't come back. Their frame of reference is that we're so shorthanded. That's why it's so slow— we're so short. They can't see beyond that. They believe it so fervently. They are still doing things the way they did before the storm. They have trouble seeing any other way."*

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New Orleans' information technology systems are woeful. Some IT systems are so old they no longer work, or they are in danger of crashing. As a result, many functions are still done on paper, by hand. This slows everything down and weighs on the employees.

> *"On the operations side, our systems are not just archaic; we have mountains of paper. We are months behind on how much we owe the school board, etc. All reconciliations are manual. The payroll system is old and convoluted. We need a modern ERP."*

Infrastructure. The rest of the city's infrastructure—tools, equipment, and buildings—is equally bad. It wears people down, hurts morale, and destroys productivity.

> *"One of the things that eats away at the morale of employees is that they're working in substandard buildings, cars, etc.—it just draws down the morale. The Marines have got it right; it all starts with an appearance. That imbues itself into the culture. We got to get out of these old funky buildings that are falling apart. We've got to get the employees a professional environment."*

Red Tape. City managers and employees are tied up in red tape and related constraints. The civil service and purchasing systems are 50 years out of date, and they hamstring managers who are trying to get things done. Managers struggle to recruit the right people and even when they find them they cannot pay them enough to bring them on board. Multiple signatures are required for trivial approvals. Contracts are held up for months for review. Processes are not standardized; what it will take to get something done and how long it will take are not predictable. Some policies are enforced that are not even written down, and answers to questions vary with the person asked.

Civil Service:

> *"We have functions being performed by clerical people outside their class, who aren't getting paid – e.g., functioning as office manager, but not getting paid at that level. I can't get her a raise because she doesn't have a degree; she has 20 years of experience and can only make $20K a year."*

> *"We have some people who are not committed to public service. Civil Service gets in the way. Many of us know who they are, and we want to get rid of bad apples. We need a better system to get rid of them. Bad apples are three to five percent of the workforce, at least in my department."*

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Purchasing:

> *"If I need to get a plumber, I can't spend anything over $1,000 unless I get three informal bid quotes. You have to call up companies, schedule them, they have to come out and look at the job. Some of them stop coming; so it takes you days, if you're lucky, to get something that costs you $1050. You have to do that up to $20,000."*

Contracting:

> *"The mayor asked us (his department heads) this morning if we're having a problem with a contract approval, and everyone in the room raised their hand."*

Paying contractors:

> *"The most important thing to fix? Pay your bills and sign contracts and move your paper at a reasonable level. I'm probably out at any one time $1 million to $1.5 million. I can handle that.… I can borrow. But for the smaller nonprofits, it's not so easy. … We've been through years of this. The city cannot move a piece of paper with any kind of speed. So we have times where we have performed the work for a year, and signed a contract after the work is done."*

Other problems with rules, red tape, and processes:

> *"Our travel expense forms have to be signed by 12 people."*

> *"There are no standard processes. Knowledge is power and so many people have power because they know how to do a particular thing and you have to go through them to get it done. Nothing is written down; there are no standardized processes. You get a different answer to the same question depending on who you ask—even for simple things like travel policy and mileage reimbursement."*

> *"I spend so much time getting things through the system. I have to devote what are in substance full-time positions devoted to bird-dogging paper, contracts, etc. through the system. Even to accept a grant! If I want something done, or especially if I have a deadline, I have to assign someone to walk it through, call five times a day, do whatever it takes to get it done."*

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Performance Measurement and Management. With the exception of a few departments, there are literally no rewards for doing a good job and no punishment for doing a bad job in city government. Most departments do not even measure performance. Many say they simply do not have time.

> *"What happens when someone does a good job, or does a very poor job? Nothing happens. People say, 'I'm underpaid and get no overtime.' There are no accolades, even though you know you've gone above and beyond. It's a downer for high performers."*

Performance Contracting. The city contracts for a great deal of work, but there are no performance contracts, with performance measures, rewards for exceeding them, and penalties for poor performance, including loss of the contract. Departments also spend little time monitoring or managing their contractors. The result is often poor performance.

> *"Contracts here have no teeth, not even any attempt. No one is managing or monitoring contracts. It's a huge missed opportunity."*

> *"When I came back to the city, I saw that often the person who wrote the contract didn't know how to ask for what they wanted. When I got here, we'd have two bidders for a contract, with wildly different prices, because [the specs] were so nebulous, firms didn't know what was wanted. You change the contract specs, and suddenly you have eight bidders, at similar prices."*

Fragmentation of City Services. Though New Orleans ostensibly has a strong mayor system, that mayor does not control big chunks of city services, because of all the independent boards and commissions. There is a great deal of fragmentation, which leads to quality problems and corruption. Even within city government proper, there is enormous fragmentation between stovepipes that do not coordinate.

> *"We have too many board and commissions; I don't even know what some of them do."*

> *"When we [City Planning Commission] moved across the street, we became detached from Safety & Permits and Real Estate & Records. Customers come in, start over at Safety and Permits, find out they have to go across the street to our office, then maybe go back to get information verified at Real Estate and Records. The lack of co-location is a real disadvantage to the public."*

Customer service is weak throughout the organization—both for external customers (the public, business, neighborhoods, etc.) and internal customers (employees, other departments). No one is accountable for the quality of service to

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customers. When people get frustrated with services, they go to their city council member, who intervenes with staff, which consumes a lot of time, leaving less time to serve other customers.

> *"Customer service has been truly awful, across the board."*

> *"I so often hear, 'We don't do that in this office and I don't know who does.'"*

> *"I talk to developers about the incentives needed to get them to invest in commercial and retail in Orleans Parish. They say, "We don't need your money; make it easier to do business there and we will." So we should use these CDBG funds on IT to make the city a good place to invest and do business. Developers want to be able to do business where the processes are transparent, predictable, efficient, timely, and fair. Now they get conflicting answers to the same questions; they can't tell what's required; it's not clear what it will take to get something done, how long it will take...."*

II. Phase One Strategies and Projects

The themes outlined above create many opportunities for improvement. In fact, so much needs to be done that the principal challenge is to choose and prioritize those strategies and projects that will achieve the greatest results for the people and taxpayers of New Orleans. The city simply does not have the people, money, and time to address all that needs to be done at this time.

At the retreat, PSG helped the top 50 leaders from city government commit to a transformation plan for the next three years and beyond. Prior to the retreat, PSG offered a number of potential strategies for consideration. All have the potential to increase the organization's effectiveness, efficiency, adaptability, and capacity to innovate.

When seeking to transform a large, complex system such as the government of New Orleans, leaders must find powerful leverage to set change in motion and send it cascading throughout the organization. This leverage can be found in altering an organization's most fundamental building blocks, its "DNA." The five most powerful pieces of DNA in a public system are: 1) its purpose 2) its incentives 3) its accountability system 4) its power structure and 5) its culture. By changing these elements of DNA, behavior within the organization can be dramatically transformed.

To help leaders think about these ways to leverage change, PSG has defined strategies for each lever, which we call the Five C's:

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1. The Core Strategy: Creating Clarity of Purpose
2. The Consequence Strategy: Creating Consequences for Performance
3. The Customer Strategy: Putting the Customer in the Driver's Seat
4. The Control Strategy: Shifting Control Away from the Top and Center
5. The Culture Strategy: Creating a Culture of Continuous Improvement

Experience has shown that it is important to work all five levers; if three pieces of DNA are changed but two remain coded for bureaucracy, the result will be internal conflict. Still, not all strategies can be launched right away; some will need to be held for implementation in future years.

Again, the biggest challenge for New Orleans is that so much needs to be fixed. It will be impossible to do it all, even in four years. Hence city leaders need to be strategic: to begin with those strategies that have the highest leverage, because they affect everything else the city does. The mayor has already committed to one such strategy: creating an Enterprise Resource Planning (ERP) System--an integrated information technology system used to manage internal and external resources, including tangible assets, financial resources, materials, and human resources. Our interviews made clear that inadequate IT systems are one of the city's biggest problems. Creating an ERP system will be the first, most important step in addressing that problem; it will help *every* department and every manager in the city. Other IT investments will follow, but this should be the first priority.

In addition to the ERP, we believe city leaders should tackle a series of other problems with a SWAT-team approach: target the problem, build a team, dive in, and make big changes. The mayor could give these projects an appropriate name, such as "Pioneer Projects." PSG suggested about 20 such possibilities.

The purpose of the retreat was to sift through these options—plus others added by retreat participants—then decide how many the city had the capacity to do, which ones were most important, and which ones to do first.

At the retreat, PSG described the potential strategies and projects, we discussed them, and we revised the list based on participant input. City leaders then agreed to evaluate potential strategies and projects against specific criteria.

Criteria for choosing Phase One strategies and projects:
1. The most power to leverage important improvements
2. Potential to fix areas where the public most sees dysfunction
3. Quality of leadership available to make changes
4. Resources available to fund transformation
5. Improvements that generate new revenue to support further transformation

6. Strategies that will help rebuild New Orleans

Using these criteria, retreat participants agreed to pursue the following four overarching strategies and ten projects in the first phase.

Phase One Strategies and Projects

Serve Citizens Better
1. Improve Customer Service (includes "Ask NOLA")
2. Reform Permitting
3. Reduce Blight

Focus Everything on Results
4. Develop Performance Measurement & Management (includes NOLAStat, performance agreements, performance contracting, and more)

Cut Red Tape
5. Reform Civil Service Rules
6. Reform Procurement, Contracting, and the Payment Process
7. Cut Other Red Tape Through "Bureaucracy Busting"

Rebuild the Foundation
8. Invest in an ERP System
9. Consolidate HR/Personnel
10. Improve Revenue Collection and Cut Costs

These strategies and projects will constitute the city's transformation agenda. Mayor Landrieu and his team are also pursuing other major goals, including crime, economic development, sustainable communities, rebuilding the city, and more. Successfully pursuing the transformation agenda means that city government will be more successful in pursuing its broader agenda for its residents. Transforming the way city government works will make it a more effective and efficient instrument to achieve the outcomes residents most want.

Following are brief descriptions of the chosen transformation projects. More detail is available from PSG and the office of the CAO.

Serve Citizens Better

1. Improve Customer Service. As the findings describe, citizens have found customer service in city government abysmal. Until recenty, there had been no one

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to guide them when they entered City Hall. Too often they had to go from pillar to post looking for what they needed. And too many city employees had given up on providing decent customer service.

This strategy will pursue better customer service via multiple paths. Because so many needs exist today, it will be necessary to phase the effort, beginning with services that best meet the overall criteria above.

Already funded in the 2011 budget is "Ask NOLA," a comprehensive IT system into which residents will be able to register needs, requests, and complaints. The system will then generate work orders, track progress, and ultimately report back to the resident – and city leadership – when the work is completed. When integrated with performance management systems (see below), Ask NOLA can demonstrate a new commitment to New Orleanians as customers. A customer service "front door" has also been instituted in City Hall.

The retreat working group also recommends:
   o Establishing customer service measures and then standards,
   o A customer service officer in each department,
   o Service Level Agreements, and
   o Training and other tools to support implementation.

Improving customer service will be part of many of these Phase One projects. Work in almost all of them will begin with clarity around who is the customer – the primary intended beneficiaries of the activity – what they see as quality customer service, how we will know we are succeeding in delivering it, what level of service are we providing now, and how can we improve it.

2. Reform Permitting. This effort will focus on streamlining, simplifying, and reducing the hassle and cost of permitting processes without sacrificing the public-purpose goals underlying the permits. Proven improvement strategies that can be brought to bear in this effort include "one-stop shopping," process improvement, customer service, and "winning compliance." Other jurisdictions have achieved dramatic progress using these tools. New Orleans can too.

3. Reduce Blight. Blight acts as a negative multiplier, hindering the city's efforts to combat crime, revitalize neighborhoods, sustain economic development, lift property values, expand the tax base, and improve the quality of life. Blight reduction should serve as an early crucible for the aggressive use of many of the strategies and tools found in this plan: performance measurement and management (BlightStat), streamlining, process improvement, personnel reform, "bureaucracy busting," and information technology. The city will also use community collaboration and empowerment to reduce blight. For more on the approach, see the final bulleted item on page 27.

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Focus Everything on Results

4. Develop Performance Measurement and Management. As noted in the findings, few departments in New Orleans measure performance or use performance data to drive improvement efforts. To drive improvement, the city needs a *performance management system*, which gives everyone feedback on their units' performance, helps them make changes, and creates incentives and rewards for all employees. A number of steps, in roughly this order, should be phased in gradually over several years:

a) **Performance measurement.** Use the citywide outcome goals and indicators adopted in the Budgeting for Outcomes process to develop outcome goals and indicators for each department—which, if produced, would help achieve the citywide goals. Then develop performance goals for each division that will contribute to achieving the departments' goals; and finally do the same for each work team. These balanced performance scorecards should be created all the way down through the system, so eventually every work team, unit, division, and department has them. They should each include a handful of measures that reflect the unit's key goals; typically, they should try to measure efficiency, effectiveness, quality, customer satisfaction, and employee engagement. This will mean a regular citywide customer survey should be done, in addition to other forms of more immediate customer feedback in some agencies. Customers can also be engaged in performance measurement, by recruiting volunteers and neighborhood organizations to help with the process of measuring things like the quality of streets, the cleanliness of parks, etc. It will take time to build this system out. It is critical that the system be used for improvement as it is built.

Later, benchmarking against other cities' performance should be worked into the citywide and departmental goals. Departments will need help in learning to do all of this, and in learning how to collect performance data. The new ERP should have the capacity to store and report all performance data.

b) **NOLAStat.** The Chief Administrative Officer has already begun to create a system, modeled on Citistat systems, to give senior managers immediate, direct, personal feedback about their department's performance. The first phase, BlightStat, has already begun. The CAO and his staff should eventually have monthly meetings with each set of departments related to a citywide outcome goal (such as public safety or economic development) to review performance data. These reviews should include top managers from the relevant departments, plus those senior managers whose work affects the department, such as HR, budget, purchasing, and the city attorney. The CAO

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and his surrogates will focus discussion at the meetings on how to improve outcomes. If problems surface regarding departments that are not there, the CAO will ask them to come to the next meeting to report how they have helped solve the problem. Independently appointed and elected officials and their organizations should participate in this process as well, if possible.

To work, this system will require a staff, which will do the analytical work required to prepare for these meetings. It will be their job to pinpoint the issues that need discussion, as well as to do further research necessary when the data does not provide all the answers, and to follow up with the participants and help facilitate action after each meeting. The 2011 budget includes money to hire such staff.

This NOLAStat system should begin with the projects recommended elsewhere in this document and those departments and agencies that are targeted for substantial improvement. Once it is working for them, the CAO should add other agencies and departments.

After a year or two, when the system is working citywide, the department heads should drive it down through the organization, so department heads are doing this with their divisions, which are doing it with their work units. Everyone should eventually be involved in regular reviews of performance data to make decisions designed to improve results.

c) **Performance agreements.** Once the department heads have developed their business plans, the CAO should use the plans to negotiate two-year performance agreements with each of them, specifying the results expected, other important expectations or parameters, any rules that need to be waived to help it succeed, what else departments need from the Mayor and CAO, and the consequences for performance, including the rewards for success.

d) **Performance contracting.** New Orleans does so much of its work through contracts that creating a performance management system for managers and employees is not enough. It must also include contractors. Current city contracts are largely blind to performance, as the Findings section reports. The city needs to invest heavily in developing the capacity to negotiate performance contracts with private and nonprofit firms. It should always pay for results, not activities, and poor performance should always trigger sanctions.

The CAO should recruit a team of performance contracting experts, either as consultants or employees, who will train city managers in writing, monitoring, and managing performance contracts, then help them renegotiate existing contracts. This should be hands-on help; most city managers will

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struggle if left to do this work themselves. But it is extremely important, and worthy of serious investment of time and resources.

e) **Rewards for performance**. Start with non-monetary awards and recognition, which can begin immediately. Create a system in which every department says a very public thank you to its high performers. Then, once units have performance scorecards in place and there's confidence in the data, add gainsharing: allow work units that do not spend their entire budgets but achieve their performance goals to keep half (or some other percentage) of the savings, as bonuses.

Once you are comfortable that most teams have good performance scorecards, create performance bonuses for teams that exceed their goals. Don't use subjective appraisals by supervisors, and don't reward individuals (except in cases where work is entirely individual). Use objective performance data as 90 percent of the criteria; have a subjective review only to adjust for realities out of the control of employees, such as the impact of a hurricane or drought. Managers should receive bonuses when the organization they manage—whether a department, a division, or a work unit—improves its results, just as their employees do. Other kinds of rewards can also be available: workplace improvements, celebrations, personal recognition by the Mayor, and more.

f) **Performance evaluations.** Revitalize the performance appraisal system by shifting it to 360-degree appraisal (by the supervisor, peers, customers, and subordinates), focused on learning and improvement. Do not tie it to any rewards or pay. Subjective evaluations tied to rewards always end up with 95 percent of employees being rated above average.

g) **Deal with poor performers**. The city needs to fire some non-performers, to deliver the message that non-performance will no longer be tolerated. In the long run, if work teams have clear scorecards and powerful incentives to improve their performance, they will take care of most non-performers on their own. They will convince most of them to pull their weight or to leave the organization. This is the most effective form of discipline possible. Until that day—and when this approach does not work—managers need other tools. Currently managers have little recourse if an employee is not performing, other than devoting many hours over a year or two to the process of firing the employee—something most are too busy to do. New Orleans needs to streamline that process, through Civil Service rules reform (see below), and create a series of steps short of firing to encourage problem employees to change their ways, then train managers and supervisors in their use.

h) **Add customer service standards.** Once the performance management system is up and running well (probably after about two years), bring customer satisfaction more centrally into the process. Every work unit or agency that deals directly with customers, whether internal or external, should use surveys and focus groups to find out what is most important to them, then develop customer service standards reflecting those things. (For example, all permits of type X will be processed within Y days. Or, all potholes reported will be filled within 48 hours.)

Cut Red Tape

5. Reform Civil Service Rules. To do performance management well, New Orleans must rewrite its civil service rules. The two are inextricably linked. The current civil service system is 50 years out of date, and as our Findings reports, it operates as a straitjacket, inhibiting performance at almost every turn. New Orleans should not eliminate it; if it did, we would return to the days when hiring and firing for political and patronage reasons dominated. But state law and the city's charter require only a "merit-based" system; the current rules can be rewritten entirely. And fortunately, many other jurisdictions around the world have done just that, showing us what a 21st century civil service system can look like.

Modern systems do at least four things. They:
- give managers flexibility to manage their human resources;
- create consequences for performance, both positive and negative;
- invest in training and professional development; and
- prepare the organization for succession issues.

To accomplish these things will require a lot of work and significant financial investment. But in our opinion, Civil Service rules reform is not optional. New Orleans cannot move forward without it.

This is another area where engaging the assistance of private or non-profit sector loaned executives could be helpful, especially if there are HR professionals among the citizens who stepped forward on Mayoral transition teams. Specifically, the city should:

a) **Simplify job classifications.** Most governments have far too many job classifications. As a result, managers often cannot move personnel around, promote them, or give them raises, because they are locked into their job classifications and pay grades. They spend hundreds of useless hours haggling with HR offices over classification issues. Virtually every study of civil service done in the U.S. over the last two decades has recommended

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reducing the number of classifications, including two done on New Orleans (one by the Bureau of Governmental Research (BGR), in 2004, and one by the Bush School of Government and Public Service in 2010). New Orleans' Civil Service Department has begun this process, combining certain clerical job classifications into one, "office assistant," and others into "administrative analyst." But it should be done throughout the workforce. The city now has 700 job classifications, 400 of which are in use. It probably needs 100 or less. As the Bush School said, "The shrinking of the classification structure gives department heads the authority to define job descriptions and it increases their ability to use workers where they are most effective."

b) **Establish broad pay bands**. The shift from narrow pay grades to broad pay bands is another worldwide trend, because it gives agencies much more flexibility in setting compensation, rewarding performance, and organizing work. Under this approach, each job classification would have 3-5 broad pay bands, roughly equivalent to "beginner," "intermediate," and "advanced." Managers would hire an employee into a pay band with a floor and ceiling, and they would have discretion about how much to pay the person, within that pay band. Hence they would be freer to pay what they needed to get the talent they needed. And if they needed to give someone a raise to keep them, they could do so, within the pay band.

In New Orleans, where pay in some areas appears to be lower than the regional market provides, this approach would lead to higher salaries. (This element of civil service reform should particularly appeal to employees.) For it to work without forcing city spending up, however, discipline will have to be exercised through the budget process. In other words, once departmental managers are freer to set pay rates where they need them to get the talent they need, they must be held accountable to spend within their budget appropriations. If they want to raise pay, they must be willing to live with fewer employees. Powerful departments like police and fire cannot be allowed to overspend their budgets without consequences.

c. **Streamline hiring, firing, and discipline processes.** As the Findings reports, hiring is often too slow to secure good candidates, and firing is almost impossible. The Bush study reports that employees can appeal disciplinary actions to the Civil Service Commission, then to the judiciary. Fired employees are often reinstated by the Commission or courts. And when the BGR report was done, in 2004, it took an average of 495 days just to get a Civil Service Commission decision on an appeal.

All of this should be radically streamlined. Hiring should be streamlined by allowing departments to create new positions when they choose to do so, allowing applicants to apply electronically, investing the resources to get all

registers updated, changing the way registers operate, doing away with ranking of qualified candidates into A, B, and C bands, eliminating obsolete examinations, and so on. Gradually authority over hiring should also be decentralized to the departments, as they develop the capacity to handle the additional work. As for discipline and firing, requirements for documenting poor performance should be simplified, alternative dispute resolution methods should be developed, those fired should be limited to one appeal, the Commission should be required to hear appeals much faster, and so on.

d. **Adopt aggressive recruitment methods.** Many managers feel the city is not recruiting the best candidates available. As the Bush School study recommended, the city should improve its web site on which open jobs are listed, fax listings to colleges, universities, and employment agencies, recruit on college campuses and at job fairs, and create an internship program with colleges, universities, and technical schools.

e. **Encourage non-employees to compete for all positions**. As the Bush School report explains, "Managers claim civil service has difficulty dealing with requests for highly skilled jobs, because those jobs do not "fit" in the city workforce's established guidelines. Managers also say it is difficult to recruit from the private sector, largely because they are not able to offer competitive pay. Potential employees from the private sector will usually join the city as entry-level workers, regardless of their previous job experience." This must change. The city cannot acquire the skills it needs by bringing people in at the bottom and only filling more skilled positions by promoting from within.

f. **Gradually decentralize authority for hiring, firing, promotions, and other personnel decisions to the departments**. Most departments in New Orleans are not now equipped to take on this work, because they are stretched so thin. But as both the Bush School and BGR reports suggest, the city should eventually give most of this authority to the departments, so they can tailor efforts to their own needs. This step could be taken later, department by department, as part of a "charter agency" strategy, explained below.

g. **Adopt performance management tools like awards, gainsharing, and bonuses.** (See Performance Measurement and Management, above).

h. **Revamp employee performance evaluations.** (See Performance Measurement and Management, above.)

i. **Adopt performance criteria for personnel reductions.** The BGR report captures this point well: "New Orleans' civil service system incorporates one

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of the most baffling elements of a traditional civil service system: bumping. Bumping is the process through which an employee whose job is eliminated may (depending largely on relative seniority) claim the job of someone with less tenure who is in the same or a lower classification. It can be an incredibly messy process that wreaks havoc with the workforce. While the Constitution gives a preference in layoffs to veterans and their dependents, it does not mandate the widespread bumping dictated by the current rules."

Because the city was in crisis, bumping rules were largely ignored after Katrina. Now they should be eliminated. Managers should be able to choose who will be laid off during reductions-in-force based on performance.

6. Reform Procurement, Contracting, and the Payment Process. The purchasing rules hamstring managers throughout city government. They are rooted in the past, and have been made even more restrictive because of past corruption. What Vice President Gore's National Performance Review wrote about federal procurement in 1993 could have been written about New Orleans in 2010: "*Our system of excessive laws, regulations, and overseers is premised on (the) assumption that, if given discretion, line managers and procurement employees will cheat and act with poor judgment with taxpayer money. The concept of letting managers get value for money, make smart business decisions, and be accountable for results remains foreign to our government.*"

The only difference is that the federal government reformed its rules in the 1990s. It is now time for New Orleans to follow suit. Most of its procurement rules are in the city charter or the city's public bid law, although a few are in state statutes.

Of all the strategies considered at the retreat, this one generated the most enthusiasm and strongest commitment to action. It is perceived as at the core of improving city government's performance and rebuilding New Orleans. At a minimum, New Orleans should take the following steps:

a. **Give managers more spending authority, plus purchase cards**. Increase managers' authority to purchase goods and services on their own, up to a sensible dollar limit such as $5,000. Give them purchase cards for all such transactions, and audit their purchases to watch for fraud.

b. **Raise other purchase floors.** In New Orleans, most purchases over $1,000 require at least three informal bid quotes; if between $10,000 and $19,999, they require three documented bids. If over $20,000, formal bids are required. For professional services, anything over $15,000 must be competitively bid. These numbers are simply out of date, and they should be raised.

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c. **Minimize the number of signatures required.** If five signatures are required to get a contract through purchasing, the chances are each of the five assumes the others are paying attention and just signs. Contracts would move faster and accountability would be more real if only two signatures were required: one from purchasing and the other from the Law Department.

d. **Substitute "best value" for "lowest responsible bidder."** Too many purchasing organizations operate as if low cost is the *only* basis on which to buy. But a cheap product that doesn't last or a cheap service that doesn't really meet the need is not a good deal. Best value purchasing challenges all government buyers to get the most value for the dollar, not just the lowest price, based on factors such as the total cost of ownership over the life of the product, including operational and replacement costs; the performance history of the vendor; the quality of the goods or services; and the proposed technical performance.

e. **Simplify and automate the purchase of commodities, while expanding the list of items that qualify.** Purchasing an off-the-shelf commodity should be much simpler than purchasing other things. The city should piggyback onto the state system to purchase commodities, as other Louisiana cities do. Another option is to do what California's purchasing people did. They looked at the federal lists put together by the General Services Administration (GSA) and decided they were good enough.

f. **Use RFPs to buy results, not just to meet specifications.** On some projects, city managers will not have the expertise to create detailed specifications. The solution is to define the desired results, then use the bidding process to challenge potential vendors to apply their expertise in creating solutions. Canada calls this approach "Common Purpose Procurement;" Michigan calls its version "Solutions-Based" solicitation.

g. **Train the staff.** The purchasing staff needs more skills; an investment in training will pay off in better performance.

As the Findings explain, the Law Department is a bottleneck for contracts. The solutions will probably involve a number of different reforms, from changing the rules to streamlining the approval process to changing the culture within the department.

As everyone knows, New Orleans also has great trouble paying its bills on time. Solving that problem would improve the city's image with the business and nonprofit community, while helping the city hire better contractors, faster (since many will not now compete for city work because the city pays so slowly).

At the retreat, the CAO indicated that the Purchasing, Contracting, and Payment Process Reform project will soon start appearing on the NOLAStat agenda.

7. Cut Other Red Tape Through "Bureaucracy Busting." New Orleans's management and much of its staff are stretched too thin to take on the extra burden of new tasks. If the city's leaders and staff are to transform their organization, they will first have to take a significant chunk of current work off the table, to take the stress off staff, free up time for new work, and send the message that the change process is serious.

The obvious target is nonproductive rules, processes, and reports, which are enormously frustrating to managers and employees. Louisiana's civil law tradition and history of fighting corruption exacerbate these problems in New Orleans. More than in common law jurisdictions, Louisiana has sought to construct a comprehensive anticipate-every-possibility web of rules, statutes, and even constitutional provisions. Those efforts, layered on decade after decade, encrust the work environment and make the shift to results and performance-oriented government exceedingly difficult.

Civil Service rules reform and reform of the purchasing, contracting, and payment process will deal with some of the bureaucracy burden, but only some. To tackle the rest, a "Bureaucracy Busting" initiative, with several phases, can eliminate hundreds of rules, processes, and reports. Options include:

a) First, the **Chief Administrative Officer could simply eliminate (or change) rules, processes, paperwork, and reports** that are obviously standing in the way of higher performance and are easily eliminated. Many have been articulated in PSG's interviews.

b) Second, he could **hold Bureaucracy Busting Workshops**, at which he would announce the changes he has already made, then ask everyone in the organization to volunteer more rules, processes, and reports for elimination, automation, or streamlining. The city could create a web page for additional ideas that surface after the workshops.

c) For rules or processes that prove complex, he could **charter process improvement teams** to map each process, analyze it, and come up with ways to make it more cost-effective.

d) Finally, the mayor could **appoint a permanent "Bureaucracy Busting Panel."** This might be made up of three people: a frontline employee, a supervisor or middle manager, and a senior manager. They would be empowered by the mayor and the council to decide whether internal rules, processes, and paperwork nominated for elimination should be preserved,

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changed, or eliminated. Anyone could make nominations. When a rule was nominated, it would be sent to the city official responsible for the rule. (For example, personnel rules would be sent to the HR director.) This rule "authorizer" would have 21 days to respond. He or she could eliminate the rule; seek more information; waive the rule for one class of challengers, perhaps with conditions; modify the rule; or make a case to the panel for keeping the rule as is. Challengers dissatisfied with the decision could appeal to the panel, which would make all final decisions.

In these efforts, include IT when there are opportunities to automate and conduct business online as well as reduce bureaucratic barriers. Retreat participants also noted that a strategy to engage the Council early in these processes would pay dividends.

Rebuild the Foundation

8. Invest in Enterprise Resource Planning (ERP). As described above on page nine, the ERP system will provide a data infrastructure that will eliminate many of the current paper systems, dysfunction, and delays. It is not a magic bullet, however, and creating the ERP is a huge task that will demand time, energy, and dollars. To be successful, its design and implementation must enable current and emerging fiscal and performance management systems, including Budgeting for Outcomes. Its future users must be consulted about their needs, so the system can be tailored to help them as much as possible. Such coordination and integration will not happen by itself. Employees will also have to be trained to use it effectively, which is not just a technical task. The potential gains from the ERP more than justify these investments.

9. Consolidate HR/Personnel. This strategy, to which the administration has also already committed, will consolidate HR personnel currently scattered in departments into a centralized shop. In addition to saving money by having fewer overall staff involved, this move can also promote more expertise and consistency in support and decisions. The challenge will be to maintain responsiveness to individual department needs, which was the reason these departments created a "shadow" HR network.

Here again, integrating this strategy with customer service and performance management can help overcome the inherent tension between centralized service units and excellent customer service.

10. Improve Revenue Collection and Cut Costs. New Orleans is not collecting a great deal of revenue it is legally owed. Some property is considerably under-assessed. A great deal of property—65 percent of the total dollar value—is exempt

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from taxation, because of its nonprofit, public, or historic nature. The city has been generous with tax incentives for developers. Investigations by the Inspector General suggest that as many as 25 percent of businesses are not paying what they owe. Many taxpayers returning after Katrina have not come back on the tax rolls.

The Sales Tax Bureau has gone from 20 auditors to four and from 18 field agents to four since Katrina. (Field agents generate ten times what they cost, while auditors generate five times what they cost.) The Bureau's investment in private firms to help with collections has fallen from $1.6 million to $700,000. The city collects only 32 percent of what it bills for emergency medical services. The Sewerage and Water Board, which collects fees for trash removal, uses a database that has not been updated since 1965. The City Courts have a clear incentive to spend all the money they collect, and the Finance Department doesn't audit them as it should.

Information system improvements now underway will enable the city to cross-check data to better identify those currently outside the system. Aggressive efforts here can yield substantial new, but already owed, revenues. Retreat participants did note the need to think through plans here to avoid unintended, harmful consequences.

The revenue collection task force can also generate and document cost savings. RevenueStat can work with a broad range of departments and work units to pursue expenditure reductions via contract renegotiations, process improvement, department reorganizations, gainsharing, and other means.

Initial possibilities from the retreat work group include:
   o improving our knowledge of who owes what;
   o improving collections and focusing on delinquent taxpayers;
   o leveraging ERP development;
   o achieving a more equitable tax framework via a tax policy commission; and
   o considering a vacant property tax surcharge and other means to get property back onto the tax rolls.

III. Potential Phase Two Strategies and Projects

Retreat participants deemed other strategies and projects important but recognized that they would need to wait. They include:

Using the Criminal Justice Coordinating Council to Reduce Crime. Police Superintendent Ron Serpas is already working to rebuild Compstat and turn the Police Department around. But many factors other than the performance of the Police Department impact the crime rate—everything from recreation programs for teenagers to the courts and the jails. In the past the Criminal Justice Coordinating

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Council has done little but divide up federal grants. It could be used as a vehicle to improve the entire system that impacts crime.

Selling Assets. The city owns many buildings and lots from which it gets no value. In addition, it owns valuable assets from which it gets far less value than is possible, including the airport, the World Trade Center, and the Mahalia Jackson Theatre. Selling some of these assets, after a careful examination of the options, could generate significant one-time revenue.

Transparency. Many people we interviewed suggested that the city needed a major effort to increase transparency, by putting much more information on its web page. Doing so would help build public trust and combat corruption. For instance, if the city aggressively put all property assessments on its web site, it would put pressure on the assessor to make the assessments accurate.

Disadvantaged Business Enterprises (DBE). There has already been some reform of DBE contracting, but based on our interviews, the DBE office is not staffed adequately to do the work of qualifying people for WBE and DBE status, so it has become a bottleneck. In addition, some have told us the city needs—and the transition report recommended—a bonding pool, because there are requirements to bond for subcontractors that small minority contractors can't afford. This is something foundations might be willing to fund.

Street Repair. The quality of the streets is another of most people's top five gripes about city government. Clearly part of the problem is financial, but there must be ways in which the city can squeeze more productivity out of its operations.

Zoning & Code Enforcement. According to our interviews, the zoning code needs a thorough rewrite, so it will generate fewer zoning applications, and code enforcement is weak. Variances are too readily granted and citizens are ignoring the code, and the Department of Code Enforcement is not adequately enforcing it, perhaps for lack of sufficient inspectors. In addition, customers often have to travel back and forth between Safety & Permits, Real Estate & Records (which are in City Hall), and the Planning Commission, which is across the street in the Amoco Building. Among these three problems, there appears to be plenty of room for improvement.

Create Steering Organizations for the Next Round of Budgeting for Outcomes (BFO). Until 2010, BFO did not work in New Orleans, largely because the city's leaders did not take it seriously. They did not involve the citizens in setting priorities; they did not force managers to set meaningful performance measures and report the data; and when push came to shove with the Council, they abandoned the rankings of programs and made traditional, political decisions.

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In 2010, BFO was used effectively. Like most jurisdictions, however, the weakest link is the city's ability to develop and refine purchasing strategies to achieve its outcome goals. This is a task performed by Results Teams, but it is new and challenging work for most members. PSG, which invented BFO, has long urged its clients to develop better capacity to choose effective strategies and make intelligent purchasing decisions, by making its Results Teams semi-permanent. By this we mean that some members of the Results Teams should do this work year-round: researching best practices and promising strategies around the world; negotiating performance agreements based on offers; monitoring performance (through NOLAStat); intervening when it is not up to the offer's promises; and then developing better purchasing strategies and making better ranking decisions in the next round of BFO. Each year, the Results Teams should get better at these tasks, so the city becomes a more effective purchaser of results.

In New Orleans, there is an obvious way to make this happen. Each city "result area," or outcome goal, could be assigned to a deputy mayor who is responsible for that area. That deputy mayor would hire a few staff members who would become, with the deputy mayor, the steering organization for that outcome goal. They would be heavily involved in NOLAStat and they would be permanent members of the Results Teams. They would become experts at delivering better results for less money in that policy arena.

A New City Hall. The current City Hall is expensive to operate and cannot carry the electrical burden necessary for today's technology. In addition, some suggest moving into the old Charity Hospital building, to help redevelop that area after the hospital is moved.

Charter Agencies. Charter Agencies pioneer a different "accountability deal." They volunteer, or are chosen, to produce measureable improvements in the results their customers care about and contribute budget savings or entrepreneurial revenue to the general fund, and in return are freed from red tape and granted additional authority to produce better results at less cost.

When a good performance management system is in place, New Orleans should explore this strategy. The CAO would ask departments (or divisions, in a few large departments with divisions that do very different things) to volunteer for "Charter Agency" status. Not all would necessarily be selected; the CAO would reward with charter agency status organizations that have performed well and proven themselves trustworthy.

Departments who were accepted would negotiate a new deal with the CAO (or their department head, if they were a division leader). Specifically, they would negotiate three-year Flexible Performance Agreements that spelled out the results expected of their organization, the management flexibilities granted, financial contributions,

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other important expectations or parameters, and the rewards and consequences for performance. Departments volunteering would accept smaller operating budgets (perhaps five percent less) and/or commit to delivering new, entrepreneurial revenue in exchange for significant management flexibilities.

As the early Charter Agencies proved their value, others would be selected. This initiative should save the city millions of dollars a year while improving results.

IV. Going Forward

For each Phase One project, PSG suggests a process roughly as follows to ensure effective implementation.

a) The mayor and CAO appoint a team and a sponsor of the team (typically a deputy mayor), launch the project, outline the support that will be available, and challenge the team to achieve defined, measurable outcomes.

b) The CAO and sponsor recruit loaned executives and other volunteers with relevant experience to work on the project—from among those who were most helpful on the Mayor's transition work groups, for instance. Continue to tap into the extraordinary business and civic talent in New Orleans. Also make the needed consulting support available to the teams. Those experts provide the team an orientation, help it negotiate a charter with its sponsor, and provide expertise, connections with other resources, and coaching going forward.

c) With help from their experts, the team analyzes the situation, identifies the organization's customers and/or compliers and their value chains; identifies performance measures; and creates initial ideas about better ways to do things, from process improvement to complete redesign. Dozens of improvement tools will be available to the teams, from training, process improvement techniques and customer service standards to employee empowerment, gainsharing, performance contracts, culture change tools, and citizen involvement in "co-production."

d) The teams choose the tools to be brought to bear, make an initial improvement plan, arrange resources, negotiate a charter with the CAO (a performance agreement that also defines the support they will receive), and launch the improvement efforts. Coaching from experts should continue throughout the process.

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e) The teams draft any legislation necessary to implement the plan and the Mayor asks the City Council to pass it.

f) The teams become early participants in NOLAStat. As the first-phase groups identify their customers and measures, they bring them to NOLAStat for review and feedback. Then NOLAStat becomes the venue where their initial results and learnings are discussed and plans are made for what to try next. NOLAStat gathers momentum phase by phase as more of city government enters the new world of performance.

g) As they continue, the teams document and share what they are learning. They communicate their results externally and internally to show improvement and build support for future phases and transformation in general. Through NOLAStat, the CAO and sponsors look for stars in the first groups who can become peer mentors for others in future phases.

h) City leaders launch the second phase teams, and so on, phase after phase, until the entire city is working in this new way.

The keys to success in this process are:

- The target organizations and work units perceive themselves, and are perceived by others within city government, as coming out ahead. Yes, they now experience accountability for their performance, through NOLAStat, but they also have resources, a better work environment, better IT, and most important, professional satisfaction.

- The teams have access to great coaching, expertise, and the other resources they will need to be successful.

- The teams have full support and political backing from the mayor, CAO, and their sponsors. The mayor, CAO, and other leaders maintain a focus on achieving the transformation agenda. In an environment like that of New Orleans, a constant stream of competing demands will threaten to take the focus away from transformation.

- Leadership ensures that the implementation of each strategy and project reinforces and achieves synergies with the others. Again, changing the DNA is not easy, and all five of the "C's" are essential. Consider, for example, the challenge of reducing blight in New Orleans. Many of these projects can be brought to bear, as follows:

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- o Make blight an early focus in implementing performance measurement and management with departments and work units most critical to reducing blight. (BlightStat is already at work.)
- o Review existing contracts related to blight reduction. Make them, and new contracts, early targets for performance contracting.
- o Similarly, begin using performance agreements to implement blight reduction strategies.
- o The permitting, bureaucracy busting, and procurement, contracting, and payment process reform teams should all pay particular attention to the roles they can play to speed progress on blight.
- o The next Budgeting for Outcomes cycle should incent innovation and collaboration to reduce blight, then prioritize resources.

Similar cross-project synergies can be achieved with each of these strategies. Focusing transformation strategies on particular, high-visibility and high-value problems important to residents is the best thing the city can do to show residents that this administration is doing things differently. It will also build the trust needed to sustain further reform. Coordinating these strategies as outlined here is an important element of the transformation architecture, and another reason why sustaining leadership attention and supporting expertise are critical.

V. Ongoing Support Strategies

Three "support strategies" are needed to sustain transformation.

1. Leadership: Support And Develop Courageous Leaders At Every Level

The single most important element in transformational success in New Orleans, as in any government, is courageous leadership at all levels. This agenda will need multiple leaders: the mayor, council, deputy mayors, department heads, and other managers, supervisors, and employees. Not all will be leaders, but many *must* be leaders. The mayor and CAO must provide consistent, visible leadership for success to occur.

The key leaders should hire coaches who know public sector transformation to support them in finding the most effective ways forward, overcoming obstacles and resistance, and doing the personal work necessary to be successful leaders.

To manage the transformation process, the mayor and CAO should appoint a Transformation Steering Team. Its mandate should be to ensure that the Transformation Plan developed at the retreat is fleshed out, continually updated, and

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implemented – and that progress is measured and reported regularly. It should include, at a minimum, the leader of each project team. The Steering Team should:

- Meet regularly, at least once a month and perhaps more frequently.

- Flesh out the Transformation Plan by overseeing the development of specific action plans for each strategy and assigning a leader responsible for each one.

- Appoint an implementation team for each project.

- Develop a timetable for each action plan and hold the lead person accountable for delivering on time. Broker resources and identify barriers and help remove them. Review progress at each meeting.

2. Communication

As the Findings explain, internal communication within city government has been weak. If transformation is to succeed, communication with employees must increase dramatically. Retreat participants strongly echoed this theme.

In a period of fundamental change, leaders must communicate constantly with their employees so they understand the vision, where the city is going; know what specific changes are planned; and have accurate information about how they will be personally affected. Leaders must also *listen* to their concerns, complaints, and suggestions and act on them. Otherwise, employee resistance to change will be insurmountable.

External communications will also need focus. Some of these efforts, such as civil service reform, will spur outspoken opposition. City leaders will need to explain to residents why they are making these changes. They will also need to figure out how to communicate their progress to residents, so people ultimately know the value they are getting for their tax (and fee) dollars.

As the city implements change, it will also be important to circle back to those concerned. For example, leaders often announce an initiative and describe how it will go forward and on what schedule. As the implementation proceeds, we all know that the schedule may change due to events, changes in plans, unforeseen barriers, etc. As those changes happen, the city should be sure to let those with whom it created the initial expectations – whether they are employees, customers, stakeholders, or the media – know of the changes and why they are occurring. Communications should be kept open and active in both directions.

3. Investment: Time, Money And The City's Best People

All of the above requires time, money, and talent. To succeed, New Orleans will need to invest the time of some of its best people and significant sums of money for training, coaching, consulting, and technology. The city would be wise to create a non-raidable Transformation Fund to support the change process. We congratulate the City on allocating two percent of its 2011 General Fund budget, about $8 million, to finance these efforts. That commitment should be sustained each year.

At the retreat, a small group worked on developing "a blended pool of resources (public/private) to effectively test and integrate innovation in city government." The working group endorsed the following ideas:

- Continue to commit 2% of the general fund to transformation and use available CAO funds.

- Raise funds for transformation from the private and philanthropic sectors. (Note that this effort to create a transformation plan was funded by local businesses, foundations, universities, and other organizations).

- Implement ideas employees come up with for saving money and invest the savings in the Transformation Fund.

- Sell bonds to pay for the ERP.

- Sell surplus property to fund IT capital projects.

- Capture other general fund savings for transformation through negotiations between the CAO and departments.

- Incent new entrepreneurial revenue from the use of city facilities that could be applied to transformation.

- Track the performance of all investments in innovation: i.e., measure the return on investment.

- Invest in staff, training, coaching, consulting, technology, and other support needed to make transformation a success.