



The *Carnivale* of Risk

Running Government Like A Business:
Understanding the Risks
Presented By: Dr. Robert Cardenas

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Should government be run like a business?



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What is the purpose of a business?

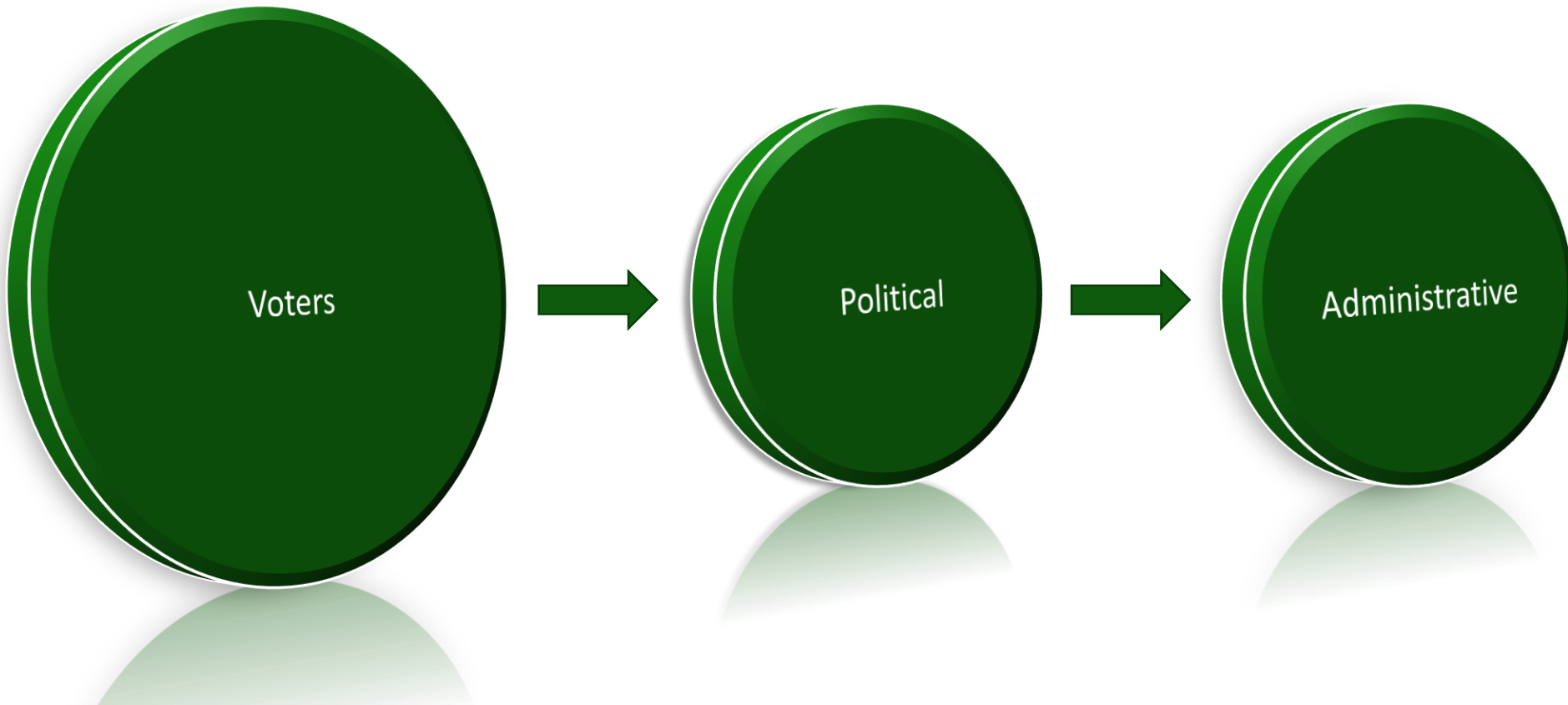


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What is the purpose of government?



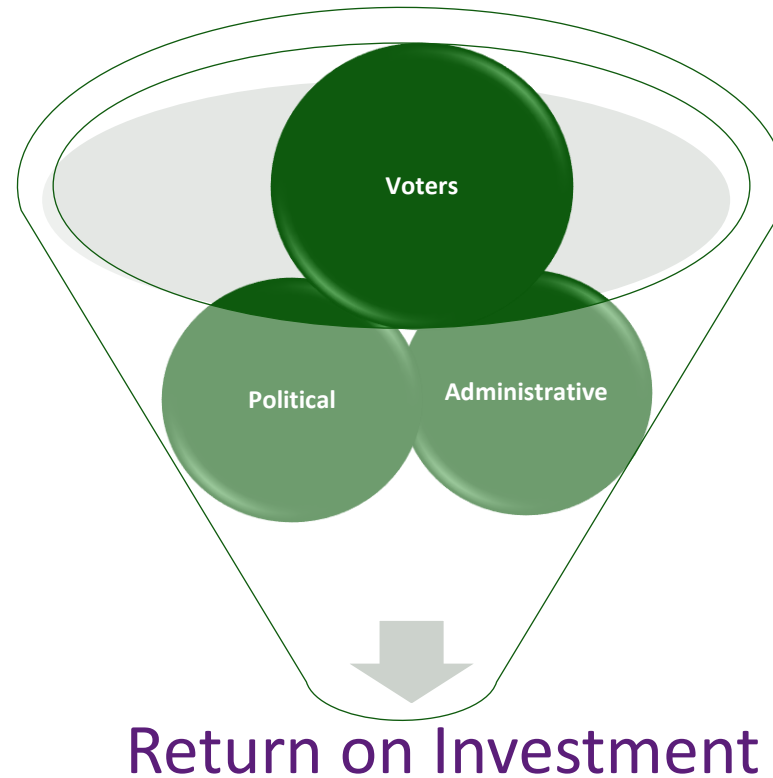
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Political/Administrative Dichotomy



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Private Sector v. Public Sector

| Private Sector | Public Sector |
|---------------------------------------|---|
| Restaurant Chain | Local Government |
| Product: Goods (Food) | Product: Service (Quality of Life) |
| Stakeholders: Shareholders, Customers | Stakeholders: Residents, Voters, Taxpayers, business community, patrons |
| Chairman of the Board | Mayor |
| Board of Directors | City Council |
| Chief Executive Officer | City Manager |
| Executive | Executive |
| Managers | Managers |
| Supervisors | Supervisors |
| Line Staff | Line Staff |
| Profit Driven | Service Driven |



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“In order to run government like a business, we need to start treating government like a business.”

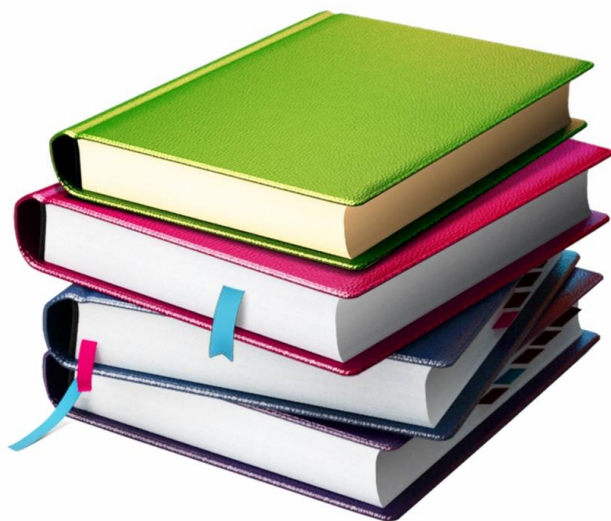


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Case Study: There is an election process in the *City of Anywhere USA*. The people have spoken. Tired of their high crime rate, diminishing property values, poor road conditions, and subpar schools, the people vote for change.



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Political Dichotomy: The successful candidates ran and won on the following public demands (values):

- ✓ Public Safety
- ✓ Maintained Roads
- ✓ Property Values
- ✓ Good Education
- ✓ Clean Environment
- ✓ Great Place to Live, Work, Play
- ✓ Low fees and Taxes



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Administrative Dichotomy



- ✓ Implement the “Values Based” Policy
- ✓ Monitor the Taxpayer Return on their Investment



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City of Anywhere USA Devises a Business Plan

- ✓ Political – Adopt and Implement Policies
- ✓ Administrative - Invest in Values (Budget)



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City of Anywhere USA Devises a Business Plan

- Compete for residents, businesses, and patrons that share our values.
- This will pay for the services and encourage them to stay.
- Values Attract Physical Businesses > **Generate Property Tax**
- Businesses Attract Patrons > **Generate Sales Tax**
- Patrons attract Jobs > **Generate Income Tax**
- Jobs attract Residents/Homebuilders > **Generate Property Tax**
- Residents/Homebuilders attract schools > **Generate School Bonds**



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Who is Your Competition?

- ✓ Other cities, jurisdictions, districts, etc.



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What are You Competing to Achieve?

- Industrial
- Commercial
- Car Dealerships, Malls
- Restaurants (Trader Joe's, Nordstrom, Cheesecake Factory, etc.)
- Mom and Pop shops
- Home Builders
- Tourism/Hotels
- Customers/Residents



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Investment In Values

Tax Revenue

Businesses + Patrons + Jobs + Home Builders + Schools

$y = a(x-b)^2 + c$
 $V = \frac{4}{3}\pi r^3$
 $SA = 4\pi r^2$
 $\cos\left(\frac{\pi}{6}\right) = \frac{\sqrt{3}}{2}$
 $\left(\frac{a}{b}\right)^c = \frac{a^c}{b^c}$
 $a + b + c + d = 360^\circ$
 $a + b + c = 180^\circ$
 $y = kx^2 \quad k > 0$
 $\log_c\left(\frac{a}{b}\right) = \log_c a - \log_c b$
 $\sum_{k=1}^n k = \frac{1}{2}n(n+1)$
 $\log_a 1 = 0$
 $4^{\frac{3}{2}} = 2\sqrt{4^3}$
 $\pi \approx 3.14$



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Return on Investment

| Value | Policy | Primary ROI | Secondary ROI |
|--------------------------------|-------------------------------|--|--|
| Safety | Hire Police Officers | Decrease Crime | Increase Property Value <ul style="list-style-type: none"> ▪ Increase Property Tax Revenue Business Attraction/Retention <ul style="list-style-type: none"> ▪ Maintain Sales Tax Revenue ▪ Increase Sales Tax Revenue |
| Commercial Connectivity | Build and/or Maintain Roads | Business Attraction Resident Attraction | Business Attraction/Retention <ul style="list-style-type: none"> ▪ Maintain Sales Tax Revenue ▪ Maintain Property Tax Revenue |
| Education | Build and/or Maintain Schools | Educated Community | Increase Property Value <ul style="list-style-type: none"> ▪ Increase Property Tax Revenue |
| Shop Local | Shop Local | Business Attraction and Retention | Business Attraction/Retention <ul style="list-style-type: none"> ▪ Maintain Sales Tax Revenue ▪ Increase Sales Tax Revenue |



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Workforce

“Employees are assets that need to be maintained – otherwise they will depreciate.”



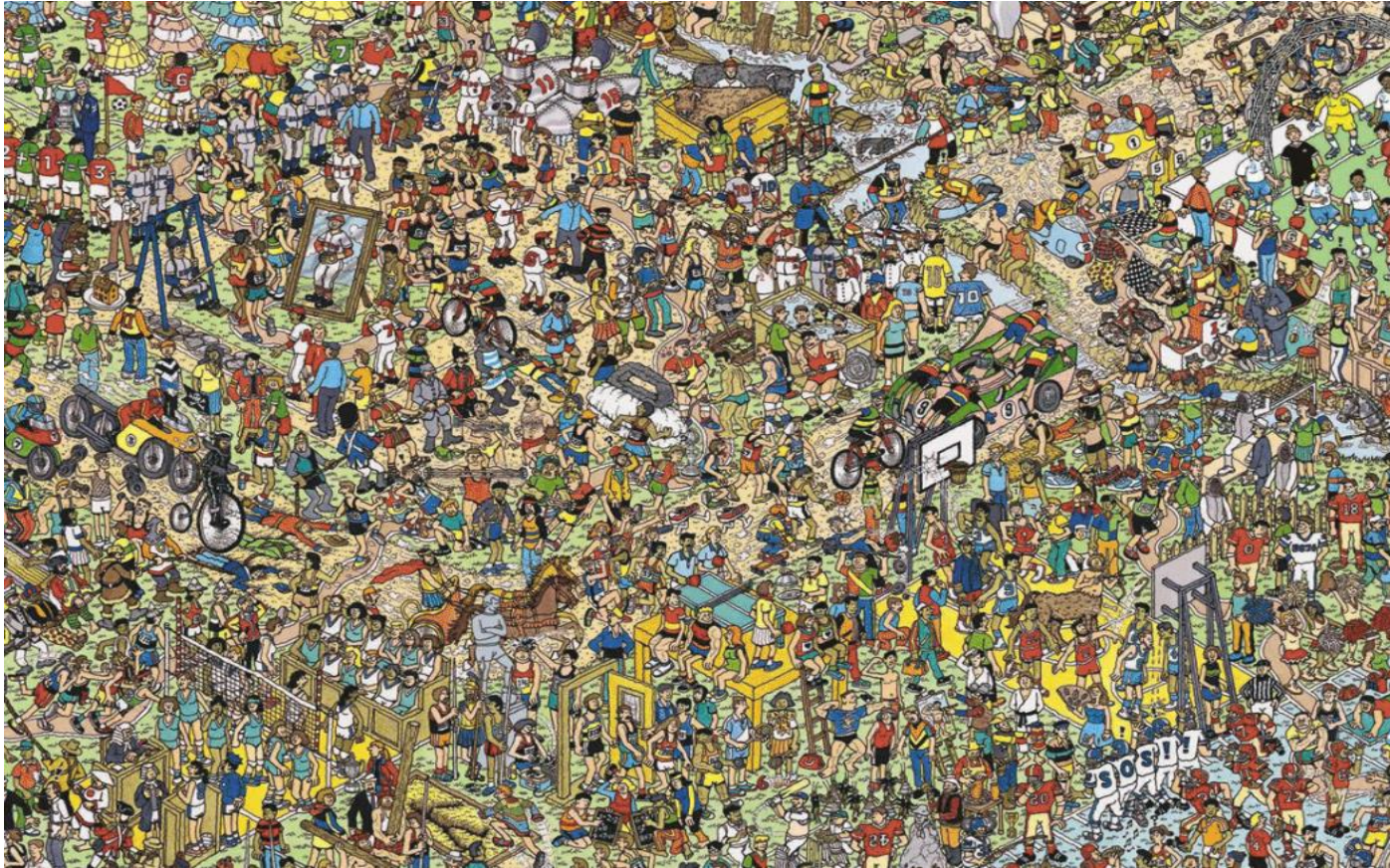
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Employee Level

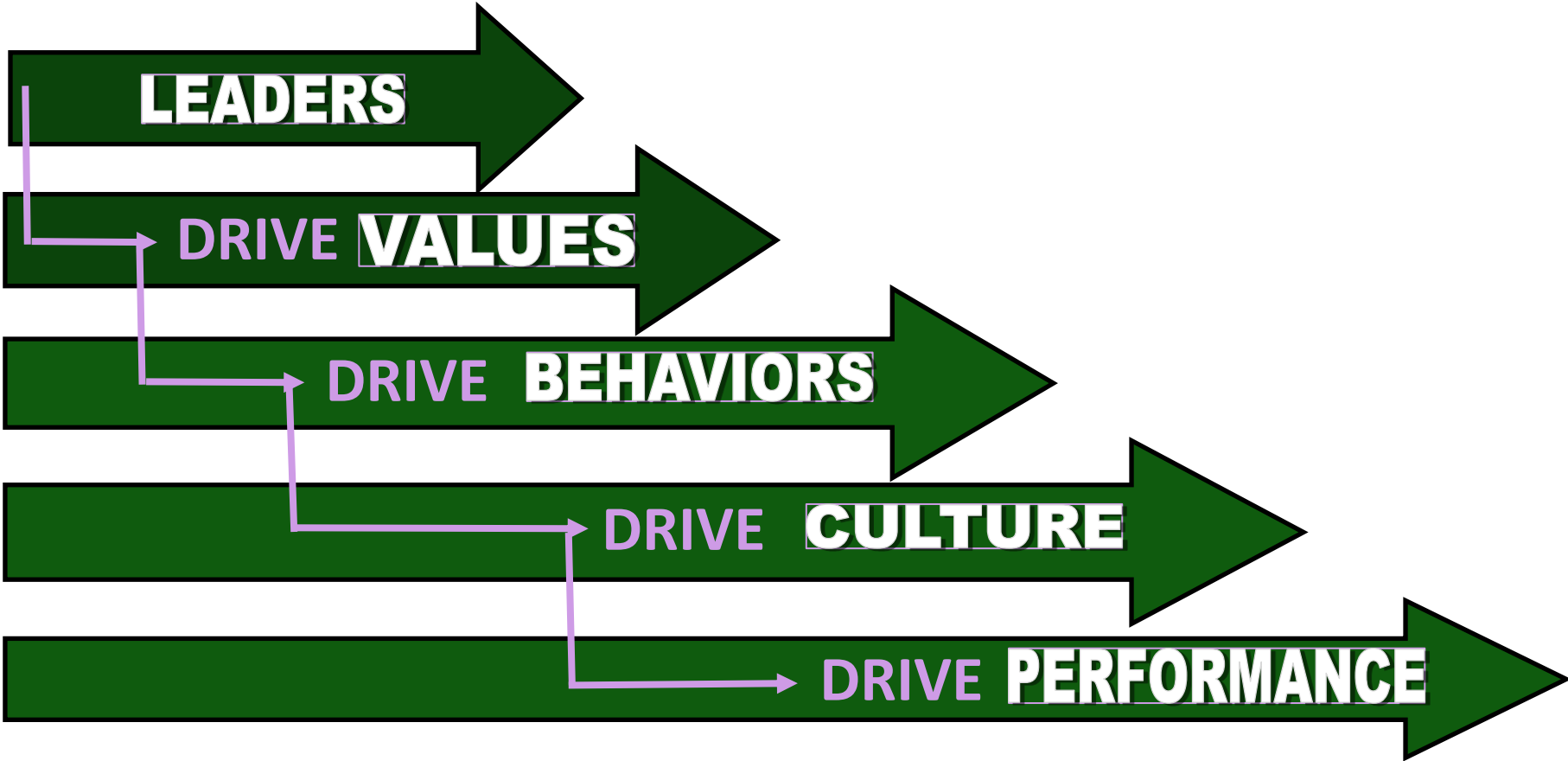


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Final Thoughts



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Questions?



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