



PM MAGAZINE

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Risk and Reward in Local Government Management

Public managers work in a complex and uncertain environment. Despite careful planning, unexpected events and inaccurate assumptions can prevent governmental activities from producing the desired results. Managing this "risk," or the likelihood that results will often differ from those expected, is a key component of effective public management.

Claire Reiss and Peter Young, Fairfax, Virginia, and Minneapolis, Minnesota..

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JANUARY/FEBRUARY 2006 · VOLUME 88 · NUMBER 1

COVER STORY

Risk and Reward in Local Government Management

by Claire Reiss and Peter Young, Fairfax, Virginia, and Minneapolis, Minnesota.

Public managers work in a complex and uncertain environment. Despite careful planning, unexpected events and inaccurate assumptions can prevent governmental activities from producing the desired results. Managing this "risk," or the likelihood that results will often differ from those expected, is a key component of effective public management.

A newer way of thinking about risk management is necessary, and fortunately risk management is evolving into enterprise risk management (ERM), a term that more closely fits the challenges of an event like Hurricane Katrina.

Risk is a complex matter and is challenging to address in a comprehensive way. The word is often associated with negative consequences and with results worse than expected, but risky efforts may also have positive consequences. In the private sector, risk is the foundation of investment return. Most investments have the potential to produce a range of returns, including loss of the entire invested amount. The greater the chance of a loss, the higher the potential return on investment must be to attract investors. So risk plays an integral role in determining investment reward.

The same principle applies in the public sector. Local governments assume risk when they promote economic development by offering financial incentives for companies to locate in their jurisdictions. Essentially, the local government "invests" in these incentives, hoping for a return in the form of more jobs, economic expansion, and greater tax revenue.

If the effort fails, the government loses its investment, so when deciding whether to make an investment, public managers weigh the expenditures against the gains expected if they achieve their goals. Noting the presence of both peril and opportunity adds to the manager's challenge, but, more important, it does offer a different way of thinking about risk management in the public arena.

The awesome destructive force of Hurricane Katrina and the widely debated response illustrate vividly the web of risk that makes up the public sector environment. Analysts will be dissecting the negative consequences of this catastrophe for years, and the lessons learned will help us better understand our own exposure to risk and uncertainty and the constraints on our ability to respond. As difficult as it may seem, given the loss of life and property inflicted by Hurricane Katrina, the present authors would argue that a comprehensive effort to learn from it must also consider how this tragic event may even produce opportunity.

One example is the effect that the historic displacement of hundreds of thousands of New Orleans residents has had on neighboring communities. Nearby Baton Rouge, as well as other host communities, did not suffer Katrina's massive storm surge but did experience a large population surge, composed of rescue workers and displaced New Orleans residents, that challenged their ability to provide adequate public services, housing, and office space.¹

In the short run, delivering more government services and maintaining community equilibrium have clearly been a challenge for these host communities. But this displacement might also bring unexpected opportunity. In the short run, the increased population also raised the demand for some local businesses' goods and services. In the long run, host communities may experience previously unexpected growth, if displaced persons and businesses remain and invest in their new community. The host communities' management challenge will be to avoid the negative consequences of unplanned growth while taking advantage of the opportunities that growth offers.

As traditionally viewed within local government, risk management would play a small role in addressing a challenge of the scope and complexity of Hurricane Katrina. Some local government managers think of risk management as a narrow and technical function focused on buying insurance and managing insurable risks by avoiding, controlling, and financing property and liability losses.

These functions are important, even in the context of Katrina, but this limited view does not address the interplay of economic, legal, political, social, and other forces, or the point of seeing risk as opportunity. A newer way of thinking about risk management is necessary, and fortunately risk management is evolving into enterprise risk management (ERM), a term that more closely fits the challenges of an event like Katrina.

Enterprise Risk Management

Enterprise risk management expands the focus of risk management to address all aspects of risk that may affect an organization's ability to achieve its objectives. ERM seeks to develop an organization that can take advantage of opportunities and can act quickly and effectively to minimize the adverse consequences of unexpected challenges.

Here are ERM's more important features:

ERM seeks to address *all* risks. ERM is not just about preventing or controlling bad things but also about enhancing the prospects of good things. This subtle but significant shift in emphasis means that issues like investment management and economic development can now form part of the risk management framework.

Top managers and elected officials set the policies that drive ERM. These leaders are accountable for risk management effectiveness.

Risk management is practiced throughout the organization, not just by a risk management department. A risk manager or a risk management department may provide oversight, but every employee is responsible for managing the risks within the scope of his/her responsibilities, and employees are accountable for practicing risk management in accordance with the organization's overall policy.

ERM breaks down the silos in which risk has historically been addressed. In the past, risk issues have often been addressed in "silos" that correspond to the sources of risk. Workplace health and safety, for example, might have been addressed separately from risks arising from possible environmental pollution. ERM seeks to break down these silos, facilitating the consideration of how sources of risk and the strategies to manage it may interact.

An individual or a team of individuals addresses technical issues requiring special knowledge. For instance, setting up a captive insurance company, developing a catastrophe management program, managing information technology (IT) risks, or addressing financial risk issues all require specific knowledge. An individual who oversees the management of uncertainty for the entire organization is often referred to as the chief risk officer, and teams are referred to as strategic risk teams.

ERM performance is measured by its success in directly improving the satisfaction of organizational performance objectives. It is not measured solely by such traditional metrics as loss ratios or a reduced number of employee injuries.

In the private sector, many view ERM as the most significant risk management development in the past 50 years. Most European and North American countries (plus Australia and New Zealand) now have a guideline, a standard, a directive, or a rule that lays out the expectations for risk management, and all of these rely on (or imply) an ERM framework.

In the public sector, the introduction of the ERM approach is occurring at a somewhat slower pace. In part, this is because the emerging rules and guidelines apply primarily to private sector organizations. The signs, however, are pointing to an acceleration in the rate of ERM adoption by local governments and public entities.

ERM in the United Kingdom

The United Kingdom is working to extend ERM into the public sector. In late 2002, the U.K.'s Cabinet Office Strategy Unit ("Strategy Unit") released a far-reaching report entitled ***Risk: Improving Government's Capability to Handle Risk and Uncertainty***, which can be found online at <http://www.strategy.gov.uk/downloads/su/risk/report/downloads/su-risk.pdf>. This report identifies three broad roles of government in managing risk and uncertainty: regulation, stewardship, and management.

Government's regulatory role is its responsibility to address broad public risks like environmental pollution. The stewardship role is the government's leadership responsibility in addressing community-based or social risks that are not necessarily specific to the public entity, such as community health or intergovernmental responses to natural disasters. The management role involves risks that are specific to the individual public entity (police liability suits, fires in public facilities), and this role is similar to current public-entity risk management practice in the United States.

The Strategy Unit's report was developed in the context of the Labour government's "better government" initiatives, but it was also a response to changes in the risk management field. One important influence was the emerging framework of private sector risk management, first set forward by the London Stock Exchange but expanded upon by the Financial Services Authority and the auditing community.

These private sector initiatives asserted that effective corporate governance required demonstrated evidence of competent risk management, defined as the integrated management of all organizational risks. Responsibility was laid squarely at the feet of the chief executive and the board. Picking up on these themes, the Strategy Unit argued that the public is better served when a public-entity chief executive (or elected official) and the board (elected or otherwise) effectively become the top risk managers of the public entity and are responsible for setting and effectively

implementing a broad policy for risk management.

As Carolyn Halpin, immediate past chairman of the Association of Local Authority Risk Managers in Great Britain, noted in a recent speech, "Risk management has become a top agenda item in U.K. local authorities. Effective risk management provides evidence to citizens that their communities are well managed."

The U.K. is not the only country exploring the adoption of ERM by the public sector. Massive reorganization of local authorities in Denmark, due to be completed by 2007, has included initiatives to reframe risk management practices in an ERM context. ERM work is also occurring in Norway, Sweden, Ireland, Australia, and New Zealand.

Effective emergency and catastrophe mitigation, management, and recovery efforts are simply ERM in an event-specific form: comprehensive, integrated, and responsive but also forward-looking.

Resources

Here is a list of Web sites that provide more information on enterprise risk management.

2004 Australian Risk Management Standard Set: 4360 *Risk Management and Handbook* HB 436 *Risk Management Guidelines*-Companion to AS/NZS 4360, available from SAI Global at www.riskinbusiness.com.

Risk: Improving Government's Capability to Handle Risk and Uncertainty. Full report of the Prime Minister's Strategy Unit, November 2002. <http://www.strategy.gov.uk/downloads/su/risk/report/downloads/su-risk.pdf>.

Fire Department Integrated Risk Analysis and Management, Public Entity Risk Institute Internet symposium, November 7-11, 2005. <http://www.riskinstitute.org/>; search under "Symposium Center/Symposium Papers."

Business Systems and Controls: Enterprise Risk Management, Halifax Regional Municipality. February 2005. http://www.halifax.ca/business_systems/risk_management.html.

Enterprise Risk Management: Integrated Framework Executive Summary. The Committee of Sponsoring Organizations of the Treadway Commission. <http://www.coso.org/>; search under "Publications."

Managing Risks in Public Organizations, Martin Fone and Peter C. Young. Perpetuity Press. 2005. <http://www.perpetuitypress.com/>; search under "Book Shop/New Books for 2005."

A Risk Management Standard. Association of Insurance and Risk Managers, Institute of Risk Management, and Association of Local Authority Risk Managers. 2002. <http://airmic.com/>; search under "Publications."

European Institute for Risk Management (EIRM) is providing free access to its membership-only Web site at www.eirm.net from January 2, 2005, through March 31, 2005. EIRM is an online knowledge center for risk management and risk leadership, which collects and disseminates knowledge on risk management and risk leadership in the public and private sectors. To gain access, use the user name "icma" and the password "risk."

ERM in the United States

In the United States, advances have come more slowly. In large part, this is because central governments in other countries have assumed a leadership role in promoting an ERM view among local authorities, and this has not yet happened in the United States. Homeland security initiatives, however, may be compelling public organizations to work together to address risks on a basis broader than traditional practices could deliver.

Dakota County, Minnesota, is a local government that uses an ERM approach. Although Taud Hoopingarner, the county's director of operations management, has a background in risk management, he oversees functions that span the county's operations and interacts closely with county officials. These functions include risk and homeland security management, which has a dotted-line reporting channel directly to the county manager.

The county's goal is to create an environment in which everyone in the government-employees, managers, and elected officials-recognizes risk and makes good decisions. Government officials and employees are, in effect, responsible for managing day-to-day risk in their areas of operation. Support includes online training, field visits, and prompt and useful responses to inquiries and requests for assistance. Risk personnel actively cultivate a reputation for being a value-added resource to employees, officials, and the public.

Dakota County's program has performed well according to traditional risk management measures, such as loss ratios. But it measures its performance using a balanced scorecard approach that better reflects ERM. Operations management measures itself against the achievement of objectives that are divided into four major categories: learning and growth, financial, internal, and stakeholders.

Five of the operations-management departmental objectives are included in the overall county-board objectives. One is to implement an 800-MHz radio system for a single, integrated public-safety dispatch center that will serve Dakota County and the cities within it, operating at a cost lower than that of the separate systems it will replace.

Where Are We Headed?

The challenges presented by Hurricane Katrina straddle the regulatory, stewardship, and managerial roles of public sector risk management, as defined in the U.K. Strategy Unit report. Individual local governments must address the hurricane's direct impact on public assets and employees (managerial). Land and waterways polluted by floodwaters must be cleaned, and action taken to reduce the contamination of floodwaters in future events (regulatory).

The stewardship role (response to community-based or social risks that are not necessarily specific to the public entity) is perhaps the most challenging aspect of the response and recovery efforts: can we achieve effective multijurisdictional and multisector responses to complex events like Hurricane Katrina?

The authors believe that ERM is the best way to approach the disaster hazard. The enterprise affected is the entire community, the region, or even the nation. Citizens, businesses, and nonprofit organizations are all components of effective recovery, mitigation, and contingency planning. Positive concerns like future economic development are inseparable from efforts to mitigate property damage, loss of life, dislocation, and environmental contamination from future flooding. Effective emergency and catastrophe mitigation, management, and recovery efforts are simply ERM in an event-specific form: comprehensive, integrated, and responsive but also forward-looking.

Disasters are just one example of how ERM can be used to improve local government performance. Its benefits are not limited to disasters. Dakota County exemplifies how ERM spreads the benefits of the risk management process throughout a government entity, even to operations not traditionally thought parts of a risk management program. Not every public entity will adopt ERM in the same way.

ERM can be adapted to the needs of the entity that is using it and can be implemented in phases. It will always be a work in progress because it is in the nature of risk management to require ongoing reevaluation and adjustment as needs and activities change. But ERM is the future of risk management, and as local governments in the United States become more accustomed to thinking about risk outside the insurance context, it is likely to be the future of public sector risk management as well.

¹ Abblebome, Peter. "Amid One City's Welcome, a Tinge of Backlash." *The New York Times on the Web*. Sept. 7, 2005. The New York Times. <http://www.nytimes.com> (Sept. 7, 2005).

Opdyke, Jeff D. "Baton Rouge Becomes Hot Property." *Wall Street Journal Online*. Sept. 6, 2005. *The Wall Street Journal*. <http://online.wsj.com/home/us> (Sept. 8, 2005).

Randolph, Ned. "BR Sprints to Retain N.O. Firms." *2theadvocate.com*. The Advocate. <http://www.2theadvocate.com/index.shtml> (Sept. 7, 2005).

Schmit, Julie, and Jon Swartz. "Coastal Businesses Work to Recover, Relocate, Survive." USA Today.com. [Posted] Sept. 7, 2005. USA Today. <http://www.usatoday.com> (Sept. 7, 2005).

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FEATURE

The Community Communication Network: New Technology for Public Engagement

by Louis Bezich

The British are coming, and this time they’re bringing a new communications technology to help local officials with an age-old problem: getting important information to constituents accurately and conveniently.

Newsletters, cable channels, and the Internet give local government officials a means of reaching their constituents. Still, residents continually complain about a lack of public information, and public engagement—particularly on key issues—remains a challenge. While the media are certainly available, they present their own set of issues that make most officials shiver.

Officials in both urban and rural areas face additional problems like the digital divide. Residents of some larger cities or rural localities may not have access to computers or cable television. Language barriers further complicate the seemingly easy goal of public communication.

Community Communication Network (CCN) was developed in the United Kingdom to address the same need as American officials have, namely, getting critical information to their constituents. Its success has been recognized by a number of leading British officials, including Prime Minister Tony Blair. Its creators are now bringing it to the United States.



This 42-inch plasma screen is found in a hospital in Doncaster, England.

Through plasma video screens placed in a variety of public and private venues, CCN helps local officials get their messages directly to the public in a relatively eye-catching manner. High-impact screens are installed throughout the local community at venues where people remain in place for a few minutes, becoming a “static viewing audience.” The screens are situated in positions that have been identified as giving maximum exposure and gaining maximum attention from members of the public within each venue.

The broadcast program plays public-service announcements on a continuous 30-minute loop, interspersed with daily news, weather, and sports updates as well as interesting facts and information relevant to the locality. Content is updated every 12 weeks to keep it fresh for those who are watching, and to enable government or other agencies to ensure that any new initiatives or local news reaches their communities regularly.

Local leaders can tailor public-service announcements and promotional messages to a variety of constituents: seniors, parents, children, students, veterans, job seekers, or commuters. Through the networks technology, the information on any one screen can be changed over the course of the day as the audience changes. A screen at a McDonald’s, for example, can play senior-oriented messages in the early morning and switch to content aimed at teenagers after school. Each screen can be individually programmed to meet the needs of its venue. So, whether managers need to air a Spanish-language message at one location or to alter the playlist among locations, the technology is up to the task.



A 42-inch plasma screen, located in Peterlee, East Durham, England. The flow of traffic through this McDonald's is approximately 20,000 people per week.

The system also has the capability of broadcasting emergency information, such as "amber" or terrorist alerts, quickly on a local or regional basis. Emergency broadcast templates allow local officials to e-mail critical information, like photos, to the operations center to have alerts broadcast within minutes. Although content is typically silent to avoid fatigue for workers in the venues, CCN can remotely activate sound as and when required for emergency purposes.

Residents don't need to read a newsletter, punch in a cable channel, or hunt for a Web site. This system requires no effort on their part. Placing the video screens in convenient locations draws a captured audience to short, punchy, 30-second messages while people wait or are engaged in some short-term activity. Locations typically include public and private sector locations like waiting rooms, fast-food restaurants, recreation centers, shopping malls, and public buildings.

The system uses solid-state technology provided by a company that has given CCN worldwide exclusivity for government applications. The system has no spinning hard drives or mechanical disk engines. A dial-out mechanism ensures that units cannot be directly dialed into or attached by hackers. Currently, all networks are supported by a U.K.-based network operations center offering day-to-day, proactive monitoring and customer help-desk service. Plans call for a U.S. center as new networks are established.

CCN grew out of a U.K. initiative called Public Safety Partnerships. In 1998, the Crime and Disorder Act required city councils, local police, and fire and emergency medical personnel to better coordinate their efforts to reduce crime in their constituencies. The initiative was successful and generated great results, but no one knew about it. Surveys showed that the fear of crime was rising while crime had actually fallen.



A 42-inch plasma screen hangs in a community library center in Sandwell, Midlands, England.

To combat this "information gap," local officials in Britain looked for a new way to convey their success stories and ensure future progress. The result was the Community Communication Network. Soon after the launching of the first few systems for the Public Safety Partnerships, other agencies saw the value of this direct link to citizens. The scope of the CCN networks has grown exponentially, and these now carry messages for all sorts of public programs, like recreation, education, health, and environmental affairs. Today, these networks are becoming an integral part of local government in the United Kingdom; most recently, they were used effectively to communicate emergency messages in a number of towns after the terrorist attacks in London. Today, more than a dozen British communities use this technology.

The CCN system costs between \$13,000 and \$18,000 per screen, depending on the length of a community's commitment. The costs include all hardware and programming for a year. A minimum of 10 screens is required, with the number of screens appropriate for a community being determined through a survey and assessment of local needs.

Content is controlled by the municipality or appropriate government agency. While the system's own producers create broadcast-quality product, the subject material is selected by local officials. As owners of the content, local government can also play messages on their local cable stations and on the municipal or government Web site, stretching the usefulness of the product.



A 42-inch plasma screen is located in the Healthy Living Centre in Trafford, England.

In the United Kingdom, CCN is funded through a mixture of national government and local monies. To date, there has been no use of advertising to support program costs. To advance the concept in the United States, where there will not likely be federal or state funding (homeland security funding is being explored), company officials have begun a sponsorship model in which a business could sponsor a community's use of the

technology, with recognition similar to that given on public television programming.

In addition to municipal governments, CCN-USA officials see widespread applications for county, state, and federal

governments in the United States. Motor vehicle agencies, Social Security offices, rail-car installations, and intergovernmental partnerships that share a system are some of the possibilities under exploration.

Growing pressure to keep constituents informed, unprecedented public safety concerns, and an ever-increasing volume of public information have meant a demand for more extensive and diverse communications. New technology like CCN offers government leaders in U.S. communities a new means of getting accurate information directly to the public and meeting these critical needs.

Louis Bezich is president of Public Solutions, Inc. (lbezich@publicsolutions.net), Haddonfield, New Jersey. He is a former municipal and county administrator in New Jersey. For more information on CCN, visit the Web site at www.ccnusa.tv. The United Kingdom Web site is at www.ccn.uk.net.

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DEPARTMENTS

ICMA-RC

ICMA-RC is dedicated to offering public sector employers and employees the best retirement programs to meet their needs. Our corporation focuses on serving those who serve the public. ICMA-RC also takes a leadership role to ensure that the public sector's voice is heard in the formulation of legislative and regulatory policies.

Our relationship with the public sector has been greatly strengthened with the recent enhancement of our partnership with ICMA. We have worked closely with ICMA to expand its high-quality continuing education programs through the ICMA University and the annual conference, with a special focus on the next generation of local government professionals.

UNIQUE APPROACH FOR RETIREMENT HEALTH CARE COSTS

Health care costs for retirees are escalating dramatically as employers are faced with budget challenges. This, in fact, is one of the biggest financial concerns retirees face, and ICMA-RC has a unique way to address the issue.

The VantageCare Retirement Health Savings (RHS)* plan helps employers assist employees in paying for the cost of retirement health care. Under the program, participants contribute, pre-tax, a portion of their salaries or accrued benefits. If earnings or withdrawals from these contributions are used during retirement to pay for insurance premiums, co-pays, deductibles, and other non-covered expenses such as prescription drugs, the earnings and withdrawals are tax-free.

457 PLAN ISSUES

ICMA-RC is once again at the forefront of addressing the concerns of public employers who are seeking to provide the best benefits at the lowest costs for their employees. For example, for the past six years, ICMA-RC has voluntarily reduced fees for existing clients. ICMA-RC also has taken the lead in ensuring that public sector interests are protected during consideration of proposed legislative and regulatory changes designed to encourage retirement savings and prevent mutual fund trading abuses.

COMMITMENT TO THE PUBLIC SECTOR

Five years ago, ICMA-RC founded the Vantagepoint Public Employee Memorial Scholarship Fund, dedicated to survivors of public sector employees who contributed unhesitatingly to their communities and who paid the ultimate price for their service. The scholarship fund offers greater security for the families of public sector employees through educational scholarships.

Since its inception, the scholarship fund has provided financial assistance amounting to more than \$340,000 to 87 children and spouses who were identified by such organizations as ICMA-RC plan sponsors, the Fraternal Order of Police, National Fallen Firefighters Foundation, Concerns of Police Survivors, Inc., and the National Forum for Black Public Administrators. Financial support is provided annually by ICMA-RC and its financial partners and vendors.

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FEATURE

Ethics

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GOOD WORDS FOR THE HOSPITAL

Q: After the city manager delivered her baby at a local hospital, she and her husband were appreciative of the high quality of care they experienced there. The baby needed special attention, and the manager and her husband thought the nurses and doctors performed exceptionally well. After the experience, the couple wrote to the hospital to thank everyone for their support and the excellent care they received.

A few weeks later, the hospital administrator called to ask if the couple would be willing to appear in an advertisement for the hospital. The county manager asked for advice on whether or not this sort of promotion would pose ethical problems.

A. It would be inappropriate for the city manager to appear in an advertisement for the hospital. The ICMA Code of Ethics has a guideline on endorsements that reminds members not to endorse "commercial products or services by agreeing to use their photograph, endorsement, or quotation in paid or other commercial advertisements, whether or not for compensation."

There are certain exceptions to the prohibition on endorsements. For example, members are permitted to endorse a professional development or educational service as long as they receive no compensation. For more information on the ICMA Code of Ethics and the guideline on endorsements, go to <http://icma.org/ethics>.

THE SUPERVISOR IS IN THE REFINANCING BUSINESS

Q: The county administrator plans to refinance his home and has asked for proposals from a few banks. One of the county supervisors works for a bank that he has contacted, although the supervisor is a regional manager and does not get directly involved in refinancing transactions. The county administrator asks if he should eliminate that bank from consideration to avoid any appearance of a conflict of interest.

A. The ICMA Code of Ethics does not prohibit conducting personal business with a company that employs one of the county administrator's bosses, although such situations do call for sensitivity. The county administrator is approaching the refinancing thoughtfully by seeking multiple quotes.

If the supervisor's bank provides the lowest quote, the county administrator can disclose the transaction to the board of supervisors so they are aware of his decision and the process. Some local governments and state laws also require that such transactions are included on financial disclosure forms.

For advice on the ICMA Code of Ethics, or to find out more on ethics training and technical assistance available to local governments, call the Ethics Center at ICMA at 202/962-3521, or visit the Web site at <http://icma.org/ethics>. Calls or e-mails can also be directed to ICMA's ethics advisers Martha Perego, 202/962-3668, mperego@icma.org, and Elizabeth Kellar, 202/962-3611, ekellar@icma.org.

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PM MAGAZINE

DEPARTMENTS

On Retirement

Reduce Your Taxes and Build Retirement Security

If you haven't noticed, we've added another season to the calendar. It's called tax season. My accountant friends say that, from now until April 15, they're in the office before sunrise and long after the sun sets, frequently working seven days a week looking for ways to reduce the tax liabilities of their clients.

Meanwhile, public sector managers I know are digging through pay stubs, locating receipts, and running computer software programs in hopes of finding every possible deduction.

But one possible deduction often overlooked by managers that can potentially cut their tax bills and make their accountants' job easier this season is opening or contributing to an individual retirement account (IRA). Best of all, opening an IRA is a lot easier today. In just 15 minutes, you can open and fund an IRA by using online wizards! Even the busiest managers are now finding the time to open an IRA. And when you open a Traditional IRA from now until April 15, you may be able to deduct the contribution from your 2005 taxes.

IRAs, which come in two basic flavors, Traditional and Roth, have long been a popular method for individuals to invest for retirement, providing favorable tax treatment and offering flexible ways to meet today's expenses. Traditional IRAs allow you to make annual contributions of up to \$4,000 in 2005; these may be partially or fully deductible, depending on your filing status and income level. Your investments grow tax-deferred, and you only pay taxes when withdrawing funds from your account during retirement.

A Roth IRA also allows you to make annual, after-tax contributions of up to \$4,000 in 2005. Unlike with the Traditional IRA, however, you won't pay taxes on any earnings while they remain in a Roth IRA. In addition, you won't even owe any taxes or penalties on the assets you withdraw from it. Plus, if you are aged 50 or older, you can make additional, annual catch-up contributions to both of the IRAs each year. For 2005, the catch-up limit is \$500.

If you are uncertain which IRA is right for you, there are plenty of Web sites where you can get additional information, including the IRS Web site, at www.irs.gov, and ICMA-RC's site, at www.icmarc.org. On ICMA-RC's site, you'll find descriptions of the features of each type of IRA, a Q&A section to help you determine which IRA is better for you, and financial planning calculators.

After you decide on your preferred type of IRA, use an online IRA wizard to easily and quickly open your account. Typically, IRA wizards ask a series of questions, so you'll want to have your financial information handy. Within a few minutes, you will have opened and funded an IRA and will wonder why you didn't do it before.

Opening an IRA may be one way you can reduce your 2005 taxes. But remember, when you open or contribute to a 2005 IRA, you are also building retirement security. That's a goal that you and your accountant can both feel good about.

—Joan McCallen
President and CEO
ICMA-RC
Washington, D.C.
www.icmarc.org

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PM MAGAZINE

DEPARTMENTS

Profile

ISEEK Spotlight: Kandis Hanson

Looking for a career filled with glamour, intrigue, and excitement? Why not try local government management? Seriously.

This month’s “ISEEK Spotlight” subject has worked in local government for 11 years and insists that government work doesn’t deserve its dull-as-dishwater reputation. As city manager of Mound, Minnesota (population 9,740), Kandis Hanson has a varied and fascinating job. She oversees a \$200 million redevelopment of the city, is stimulated by the high intrigue offered by the policing function, has the satisfaction of making a long-term impact on her community, and makes a terrific salary, too.

There are 853 cities in Minnesota. They all need people to run them.

Does the idea appeal to you? Traits common to successful city managers and administrators include good leadership and communication skills, a strong interest in developing relationships with people, and a generalist’s big-picture vision of the world and of projects.

THE JOURNEY

Kandis Hanson took a roundabout route to becoming a city manager. The former farm girl started a twoyear degree in marketing at Rochester Community College right out of high school but dropped out after the first year. Friends who were having success as hairstylists inspired her to go to barber school in St. Paul. A brief stint as a hairdresser, however, convinced her that she was on the wrong path.

Returning to finish her marketing degree at age 28 led to Hanson’s completing a four-year B.S. degree in human environment, with a minor in urban and regional studies, from Mankato State University. Next came a real estate license, and Hanson was netting \$13,000 per year selling houses. “And I said to myself, ‘What’s wrong with this picture?’” she laughs.

One day, a form arrived in the mail from Mankato State’s urban and regional studies program, which Hanson filled out without paying much attention to what it was. “Several weeks later I got a call from the dean’s office saying I was selected to receive a grant to further women and minorities in government. I’d get two years of master’s classes, all expenses paid,” she recalls.

The timing was perfect. Married with no children, Hanson thought, “This is better than winning the lottery because education keeps on giving.” While finishing her master’s degree in urban and regional studies with a focus on local government management, Hanson completed three internships.

“I was very deliberate,” she says, “with one internship for a free-standing city—Mankato—one with Rice County, and another with a metro city, so I could show I had a sampling of working in all local governments. It looked really good on my resume.”

A mentor told Hanson she needed to decide if she wanted to be an assistant city manager or a city manager. He said if you want to be the leader, you should start out as the leader. The only way to start out in the top position was to take a job in a small town, he said, and work your way up to larger jurisdictions. So that’s what Hanson did. She was 39 and anxious to get her career going.

Hanson first became city manager of Eyota, Minnesota (population 1,400), holding this position for 27 months. Then



Kandis Hanson is city manager of Mound, Minnesota.

she held the city manager job in Kasson, Minnesota, for just over four years. She has been city manager of Mound for five years.

THE WORK

A city manager is hired by, and works directly for, the city council and the mayor. The city staff works for the manager. The city council sets the policies, and the manager runs the organization based on these policies. The city manager has total responsibility for operations, as well as for human resource issues.

This differs from the city administrator form of government, in which staff members work for the city council, and the council decides personnel matters.

Hanson typically works an 8:00-to- 5:00 day, but evening meetings are a regular part of her job, with two per week being the norm. So she flexes her time, coming in later and leaving earlier, depending on her schedule.

In the past, Hanson worked 50 to 60 hours per week but now averages about 45 hours. "I've been at that point where you overdo it and feel like you're becoming your job. I love my job but don't want to *be* my job," she says, "so I don't have any trouble any more keeping the balance." Her first task every morning is to respond to e-mails, phone messages, and mail. Meetings take up about 25 hours per week.

Hanson oversees seven departments and meets with her department heads regularly: finance, community development, police, fire, public works (which includes parks), clerk's office, and the city-run liquor store. She has 50 fulltime staff and about 20 part-time and seasonal workers to supervise.

Hanson admits she used to be a perfectionist, having a hand in every detail, but with a heavy workload, she's learned how to back off. "I'm a generalist, and though I have oversight of all city departments, I don't get into the minutia anymore," she says. "My staff will tell you that I don't micromanage their work. They often say 'Thank you for letting me do my job.'"

Personnel issues take up much of her time. "My greatest joy," she says, "is helping my coworkers develop and grow and watching them carry out the initiatives of the city." Hanson says one of her key skills is the ability to attract the right people for the right jobs through advertising, screening, and interviewing.

She puts a big emphasis on team building and cultivating a family feeling among her staff. "We carry each other through the hard times. When someone is having a hard day or a family issue, I say, 'Give yourself a break. Take some time off and go fishing. We'll cover for you here'," she says.

Hanson studied "reinventing government" during her college years and likes to run her city like a business as much as possible. Obsolete police cars with high mileage used to be sold by competitive bids, and Mound would get about \$1,500 per car. Now, Hanson advertises old city vehicles on eBay, and the city is getting three to four times the amount. "We recently sold and shipped an old police car to New York for use in a movie," she says. "Innovative money making is important to offset our lost local aid."

Because cities work closely with counties and school districts, businesses, government agencies, and citizens, Hanson has spent countless hours cultivating good relationships with them. She credits getting the right people in the right staff positions with turning around some difficult and even nonexistent relationships during her tenure in Mound.

Her least favorite part of the job is writing performance evaluations. Since she gives her employees regular feedback, she says she finds writing up summaries to be tedious and redundant.

Satisfaction comes from big and little successes. A little one: an older man asked for time with Hanson to discuss a warning citation he had received for something he was doing on his property. Hanson answered his questions and gave him some help, and as he left, he said, "You know, the downtown looks great. You're doing a wonderful job." Hanson says that eliciting a compliment from someone who comes in over a negative issue is an accomplishment.

As for the big successes, the city of Mound has a number of large redevelopment projects that are proceeding smoothly. "We're euphoric," Hanson says. "I have to credit the team. We believe in ourselves and just have this attitude of success.

"We recently applied for a \$400,000 grant to Hennepin County for downtown assistance, and they contacted us and said, 'We've got a million; you really should write your application for a million.' It astounds us, the good that is falling into our laps from the relationship building and teamwork."

THE REWARDS

After five years on the job, Hanson is earning annual pay in excess of \$100,000 and has reached the top of her pay scale. She gets medical, dental, and life insurance benefits, plus paid vacation.

Paid, work-related education benefits are available, but Hanson hasn't taken advantage of them. "I'm so busy at work, I'm not inclined to tie up all my free time with job-related activities right now," she explains.

In Minnesota, city managers' salaries are affected by the governor's cap. Minnesota is the only state with a salary cap for government employees based on the governor's wages. "The legislature recently increased the cap to 110 percent of the governor's pay, which takes it up to \$133,000, so that's a coup for managers who are in those higher pay brackets," Hanson said.

According to the 2004 Twin Cities Metropolitan Area Compensation Survey of 96 city managers, city administrators, and county administrators, hourly rates for these jobs range from \$22 to \$79, with most positions paying between \$45 and \$55 an hour. In the same survey of 96 professionals, 67 a master's-level degree, 16 had a bachelor's degree, and nine had not completed a degree.

IT'S YOUR DECISION

Recent professional conferences in this field have focused on encouraging people to make this career choice. There's concern in the profession that there won't be enough people interested in local government management to fill the jobs that will soon be vacated by retiring baby boomers. So it's a good time to look into the field. It's also a good choice for career changers many skills from the business world are applicable.

People skills are the keys to success in a city manager position. You'll be hiring, supervising, disciplining, evaluating, and firing people. You'll answer to councilmembers who have the power to fire you at a moment's notice. You'll need to establish good working relationships with countless agencies and organizations that do business with your city. A little social savvy will go a long way in this job.

And you'll need to be politically astute. Many decisions in government are affected by thoughts of elections and connections. You'll need to tune into the political realities of the job, while maintaining a high level of personal integrity.

Being a generalist will serve you well. An interest in and working knowledge of many different areas will be useful: economics, revenue systems, redevelopment, human resources, information technology, engineering, architecture and construction, public safety, and so forth.

You'll need a broad but shallow understanding of many areas. You're not expected to know everything, and the ability to ask for help when it's needed will come in handy. This is a job with long hours and regular evening meetings. You'll need to find balance to avoid burnout.

RESOURCES

You can find out more about local government careers by contacting a number of organizations dedicated to city and county governance. The League of Minnesota Cities (Web site, [www.lmnc.org](#)), based in St. Paul, is "committed to serving Minnesota's cities through effective advocacy, expert analysis, trusted guidance, and collective action." It publishes *Minnesota Cities Magazine* and the *Handbook for Minnesota Cities*. You may search through LMC's online directory for information on the state's 853 cities.

Minnesota City/County Management Association, also in St. Paul, is a professional association of administrators and managers serving local governments in Minnesota. Information on membership, publications, conferences, training, and ethics can be found at [www.mncma.org](#).

If you like the idea of making a difference while making a good living, local government administration and management might be the right choice for you.

—Alison Highberger
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