# A Conversation with Stephen Goldsmith
Deputy Mayor for Operations, City of New York

As we continue to engage government executives who are changing the way government does business, we are on location in New York City. Today, local and state governments are under tremendous pressure to do more with less. Addressing the challenges arising from this need can present local government executives with opportunities to identify different approaches, borrow innovative strategies, forgo old ways of doing things, and craft a new way forward. How is New York City government modernizing and consolidating operations for the 21st century? What is NYC doing to shape a government that is customer focused, innovative, and more efficient? Stephen Goldsmith, deputy mayor for operations for the City of New York, joined me on The Business of Government Hour *to explore these questions and so much more.*
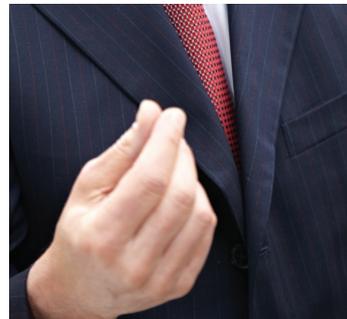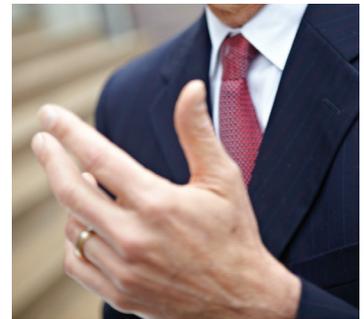
On the Mission of the NYC Deputy Mayor for Operations

I have a couple [of] roles. One is to manage and coordinate a portfolio that includes police, fire, and buildings, taxi and limousine, environmental, water, waste, and most of the general operating areas—[such as] citywide administrative services, civil service testing and training, information technology and telecommunications, Office of Operations, contract services, and the like.

Mayor Bloomberg has set up an organization that is designed to bring out the best and most innovative policies from those who work for him. Our commissioners are all really strong, creative, and good managers in their own right. We're also trying to change and reform the structures of government. The mayor's assignment to me is: we have a system that works well, but … a cost base that's unsupportable. How do we reform it? So, there is a reform agenda and an operating agenda. I look at how the two agendas come together.

On the Challenges Facing the NYC Deputy Mayor for Operations

It depends on whether we are talking about short-term or long-term challenges. One significant challenge has to be the reworking of the labor-management bargain in New York

City. I do not think the unions are the problem. I do think the problem is [how] the current civil service system, developed [in the] 100 years since Tammany Hall, intersects with collective bargaining. The apparatus in the city and state of New York is really designed to make sure that workers cannot exercise any discretion. It manages workers as if they are problems, not as if they are assets.

I need to provide the technology tools and change the relationship between union and management so [as] to unlock the value of labor. It means giving labor the confidence that those changes are in their best interest. Right now, every side is suspicious of the other. We have more than 100 collective bargaining agreements and more than 2,500 civil service titles, which are then surrounded by a morass of lawsuits and consent orders that no longer make any sense. My real challenge is getting innovation sanely through this maze.

Also, it's often easier to do creative things when you have a lot of money. When you don't have much money, there's an imperative for change. We have around a $65 billion budget depending on what we're including. The problem is that revenues don't cover all the costs. The mayor has managed to reduce operating expenses several times during his administration, but this issue is aggravated as it is everywhere in the country by huge overhanging retiree costs—specifically pensions and health care costs. When the mayor first started, this number was about $1 billion a year. Next year, it will be $8 billion and [climbing]. Every year, more and more money goes out of the current operating budget to fill holes in financing these pensions. Think about the scale of it all. We have an obligation to pay, but that doesn't make it affordable. The long-term budget is structurally out of balance by a couple billion dollars. There are serious arguments about reforming the pensions and we have to do it.

On Leadership

There is a tendency when discussing leadership to assume you have to be high-profile in order to be a leader. A leader is not positional. You don't have to be at the top to lead. In fact, many people at the top don't lead. You lead by presenting a vision that is clear about the value you're trying to produce or the vision you are trying to achieve. As a leader, you're not trying simply to produce an activity or protect an institution. In public service, you are trying to stop child abuse, reduce domestic violence, get people their child support, or make their parks cleaner. If you connect your passion to your articulation about the mission you can cause changes in existing institutions. By example or by authority,

you can move resources in order to drive results. That's how you lead.

I used to teach a couple cases at the Kennedy School, one about the relatively famous Boston Gun Project of many years ago. One of the breakthrough solutions was [that] the probation department and the police department started making midnight calls in the homes of registered probationers, trying to make sure that the young probationers were home. This one reform drove down homicide rates in Boston. It wasn't the idea of the mayor [or] the police chief, but it was the idea of the frontline supervisor in the probation department. I think the leadership skills can be anywhere.

One [thing] that attracted me to Mike Bloomberg is when you have an elected leader at the top willing to use political capital in order to accomplish a larger goal, that's a true leader. It's not like it's a bank account that you get to take with you. It turns to zero the day you [leave].

On the New York City Simplicity Agenda

We're trying to change the New York City government in order to make it work better for its residents. We need to focus on making government simple, effective, and efficient, so that we make the city a better place to do business. We have a [number] of serious obstacles to making this happen and implementing this agenda. First, we have an organizational structure that's set up for government's convenience, not the residents. You want to open a restaurant, so you have to go to agency A, then you have to go to agency B, then you go to agency C, and then finally you go to agency D. If you make it to the end without gasping for air, you might be able to open the business. It's like buying a hamburger and having to go to one store for the bun, another store for the actual hamburger, and another store for the ketchup. That's how government has always been set up.

Second, there are many rules inside government that need to be modernized. These rules are old and they've accreted over the years. Third, you cannot run an effective system that's paper-based; it has to be a digital system. There's no way a city of more than 8 million with a budget the size of New York's can run a simple system if it's dependent on every one of our employees finding a piece of paper to hand to the next person. Lastly, we need to use analytics to make sense of data and inform our decision-making. Government today often treats every activity as the same. For example, the New York Fire Department is using analytics to identify at-risk city buildings. Instead of starting at building one and trying to inspect until you get to building 400,000, analytics … enable the available data to identify possible answers. What makes

NYC Simplicity is the City's plan to make government more customer-focused, innovative, and efficient.

the most dangerous buildings? What are the risk factors in those buildings? Let's put all the data we have and then using the analytics … direct attention to the riskiest buildings. We are now reorienting our services to focus on actual problems [rather than a process]. This is how government should work. The deep use of analytics will create a simpler government. It will make it easier for the people who follow the rules; it will allow us to concentrate on those who do not follow the rules or who are at risk.

On Few Rules, More Results
Just like in every other area, government today is a victim of its own successes. We're in New York City, so we had Tammany Hall—the corruption, cronyism, and kickbacks

that marked that particular time in city history. This behavior is bad, so … you set up a rule or two. If two rules are good, then 100 rules would be better. A hundred years later, you're in a forest of rules. The way you have made government more honest, and the way you have stopped the [abuse of] discretion is by stopping the use of discretion. If you don't have any discretion to use, you may limit abuse [but also be unable to] actually solve a problem. Can we change the way we operate, injecting more discretion into the system, and still hold people accountable? I think with analytic tools we can [do this better]. The post-progressive era will be an era that permits more discretion, focuses more on problem-solving, and [uses] fewer rules. It is forging an accountability system driven by analytics and the ability to study the way people make their decisions.

On Reforming the Pension System
Today's pension commitments are just not affordable. We have a good workforce and they deserve a fair break. If there's not enough money, there's not enough money. If you work 20 years, you get a pension that could last for 40 years after you retire depending on your category. You work 20 years, but you get paid for 60 as well as full health care at 100 percent. [Unfortunately,] there's not a tax base to support it. Cities, including New York City, are subject to the same rules of elasticity that suggest you can't raise taxes forever and not evict your tax base from your city. The people that are wealthiest are those who are also the most mobile. They can pick up their money and run. Essentially, if your tax base is at risk, and your cost structure is too high, something has to give. I think just some moderation in the health care and pension benefits going forward would [be helpful]. The unions and their leadership care about the city. They have a job to represent their members, so it's not in their interest to see the finances of the city collapse. We have to get all interests aligned.

The curiosity in New York City government is that pensions are essentially set at the state level and imposed on the city. The city negotiates the pay; the state imposes the pension, so we negotiate half and the state mandates half. That just doesn't work.

On Modernizing and Consolidating Services
The mayor sought to find ways to save money that, at the same time, improve the quality of services. It's easy to save money by doing things worse. The goal is to save money and do things better at the same time. In city government, as in all city governments, there are many verticals—silos of individual processes that need to be consolidated. We looked at those services that were common across the larger agencies

and where consolidation could produce efficiencies and better service. For example, collections were happening in too many places. One group is trying to collect revenue for water bills, another for parking tickets, and another for environmental fines. We decided to bring that together. If we look at our real estate … what does that look like? It looks like we've got a million extra square feet—too much real estate. Let's start consolidating, changing the office space, open concepts, putting people together, and then get rid of the extra real estate. This is another shared service initiative. We have at one time more than 50 data centers. We either need zero to two, but we don't need 50, so put those things together. We consolidated the licensing, the frameworks, and the foundations. We began to shed the rest and we've saved a substantial amount of money. We are not just saving money; we are changing the way we buy, changing our standards, and creating centers of excellence. Whether it's human resources, fleet management, accounts receivable,

or real estate, we are looking at large areas where we can improve the quality of the services.

On Using Innovation to Meet Mission, Promote Transparency and Collaboration

Co-creation and co-production is where we are heading and where we want to go. New York City, like Washington, DC, has a big apps program [that] … says to the world: here's our data, write an app, and help us improve the city. We have a big apps program, a transparency program, and a robust 311 program, but my goal is to bring them together. For example, recently we made publicly available real-time, geo-coded 311 data by the number and type of complaint. If this is your retail corner, you can see every complaint we received and its status—whether it's open, whether it's closed, or how many complaints. It's helpful to have that information so residents can hold us accountable. But there's more there. By [leveraging] co-production for public services, the hope is

Mayor Bloomberg, Deputy Mayor for Operations Goldsmith, and Buildings Commissioner LiMandri announced the use of Quick Response (QR) codes on all Department of Buildings permits, providing New Yorkers with instant access to information related to buildings and construction sites throughout New York City.
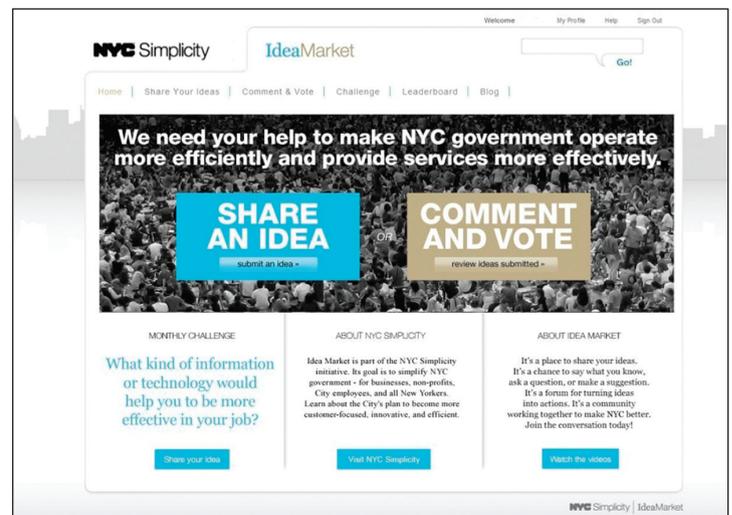
New York City includes nearly 70 agencies, employs more than 300,000, has a budget of $63 billion, and serves more than eight million residents. New York City government can be difficult to navigate. But it doesn't have to be. NYC Simplicity's goal is to simplify NYC government—for businesses, for non-profits, for City employees, and for all New Yorkers.

NYC Mayor Bloomberg and Deputy Mayor Goldsmith announcing the city's Brownfield Cleanup Program.

that somebody deeply knowledgeable about that corner or neighborhood—more knowledgeable than we are by definition because they live or work there—would be able to tell us what more needs to be done or how better to solve a problem. [For example], that left-turn signal is 30 seconds too short and people are going to keep getting hit there until you change it. By connecting big apps, transparency, open data, and social networking tools, I'm hoping to unlock a number of solutions in a way that produces discoveries.

Many in government see Web 2.0 as a communications tool, which it is, but that's really insufficient. Social networking is a way to crowdsource solutions to problems. We need to engage the public in a realistic way and we're trying to do it now. For example, every time we promulgate a proposed rule for the city of New York it ought to be crowdsourced for cost-benefit analysis.

We have a vast array of technology initiatives, some on the social networking side using online innovation tools to break through the levels of bureaucracy. If I can't penetrate physically the lines of communication up and down the hierarchy, then I'm going to penetrate it electronically. We launched a very significant interactive community-based tool to help us with neighborhood-based environmental solutions, which will be exciting. New York City has a proprietary private wireless network for its employees. We've recently stood up electronic water bills, so not only do we get your meter readings through our wireless system, but we now get real-time data, all the time. If you have a leak in your front yard or you have a leaky toilet, we can know it. You can subscribe to this tool for free.

I have a small band of warriors who work with me and work on projects across agencies. It's very difficult if you've been in government a long time to understand that the routine may no longer be working. We need to get people to see that new tools and new approaches are necessary—citizens demand better services so we need to support the governmental entrepreneurs. We have to motivate the general public to overcome the obstacles of the special interests. ◧

To learn more about New York City government, go to www.nyc.gov

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