

# A Turnaround Story of Success

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*Never doubt that a small group of thoughtful, committed people can change the world for the better. Indeed, it is the only thing that ever has.*

—MARGARET MEAD, ANTHROPOLOGIST

Robb Quincey and Rod Foster

Call it fate, call it luck, or call it what you like, but sometimes things just work out for the best. Hesperia, California, had seemed for a time to be right out of the Old West. Council meetings throughout the 1990s were somewhat similar to “Gunfight at the OK Corral” but without the bullets. They featured citizens threatening recalls of elected and appointed officials, councilmembers openly criticizing each other and staff, and a councilmember coming down from the dais to let a public speaker know that a comment about his relative was out of line.

To counter this negative model, which seemingly had taken on a life of its own, the council took matters into its own hands and began to formulate and implement policy that saved Hesperia from becoming a desert mirage. But more important, the council actually positioned the city for future growth and success. Such forward-thinking public officials are unique: a large amount of political capital had to be placed at risk, with the potential rewards equally staggering.

Clearly, Hesperia was ripe for turnaround.

With a population of just above 65,000 within its city limits of more than 70 square miles, Hesperia is the first incorporated city located just north of the Cajon Pass, which is bisected by two major highways. Millions of travelers pass through the community everyday—some commuting to work, some traveling to Las Vegas, and others transporting goods from the ports of Los Angeles and Long Beach to points across the United States.

When we first teamed in leading the city in October 2000, the city had recently celebrated its 13th birthday. As a relatively new incorporated city, Hesperia was moving out of its childhood and rapidly becoming a “teenager,” and a somewhat street-smart one at that. Unfortunately, most citizens of newly incorporated cities demand the same level of service that have taken older cities many years, if not decades, to perfect.

The challenge was to balance the needs of the community with the actions that staff believed could be accomplished over the short term. Our goal was to build public trust and accountability by fostering a renaissance from within the organization.

At the same time, the council and staff were responding to citizens’ needs and (literally) building a foundation for external trust by laying asphalt on the ground to the tune of \$2 million per year (nearly 20 percent of Hesperia’s total general fund expenditures). This story seems simple and commonplace within our profession. But we in Hesperia have found that the public sector often is quick to perform external actions when the true focus may need to be an inward one.

In order to promote turnaround and actually “grow it” from the inside out, we found that taking an inventory of our organizational strengths and weaknesses would be key to our success. According to our assessment, the ingredients of a successful turnaround would have to be:

- A trusting, powerful relationship among the city council, city manager, and executive staff.
- Trust and credibility between the community and the council.
- A top-down commitment to accomplishing goals and objectives that would benefit the community, not just meet personal agendas.
- A commitment to finishing what we started, or what we call “finishiative.”
- An ability to laugh and make the job fun.
- A wide-open-door policy to anyone who wanted to talk, complain, or tell us how to do our jobs.
- Personal commitments to doing our jobs versus worrying about keeping them. Among other things, this meant taking a good look at our organization and ensuring that staff “specialists” were covering more than a tightly focused area of work. We have found that specialists in most organizations are more than willing to help out in areas outside their “box.” You just have to ask. Too often, staff burnout and turnover can be directly related to organizations’ keeping their staff doing what the organizations like and desire instead of really getting to know what staff would like to do and/or expand toward doing.

On the whole, we now refer to this internal rebirth as a process of becoming “intrapreneurial.” At Hesperia, we are the entrepreneurs who are working at the core of the organization, starting from within and moving outward.

## **Hesperia History**

Not unlike other small California cities, Hesperia has endured a number of economic downturns and a high turnover of staff, especially in high-level executive positions, compounded by political instability and public dismay. These symptoms, left unchecked, had taken the city to the brink of collapse.

In fact, an impending financial failure of the city’s wholly-owned subsidiary water district was not even realized publicly until the facts had been clearly explained to elected officials as reported in the organization’s annual audit. This oversight—whether intentional or accidental—led to the point where turnaround was the only option possible.

The winds of change had been blowing through Hesperia for many years but unfortunately never had taken any one clear direction. The average tenure of a city manager in Hesperia was two to three years, not nearly the amount of time needed to start a city on the right path and to ensure good results and dividends. Council tenure was just about as impressive; no councilmember had ever won reelection before 1998.

Collectively, however, the council’s professional experience proved key to the successful turnaround of the city. After all, the professional makeup of the council has included municipal

finance officials, public safety personnel, gubernatorial field representatives, real estate professionals, private sector business leaders, attorneys, and charter-school administrators.

Complementing the council's expertise, executive staff has had more than 100 years' combined professional public management experience, and most staff members have worked at larger organizations in the past. The council's foresight generated an opportunity to take the city to the next level of organizational achievement, that of being a change agent. It was a challenge that staff members were eager to accept.

## **When the New Millennium Beckoned, Turnaround Began**

After careful review, it became obvious that Hesperia's current organization was not functioning properly and needed revision. The reorganization basically eliminated two filled department director positions and merged seven departments into four. It is important to mention that the reorganization plan was the result of performance-related work that the council had assigned on a broad basis, had later considered, and had then decided to implement.

Any decision to reorganize should not be taken lightly. In fact, a thorough analysis of alternatives, including taking counsel with public sector colleagues, is vital to a successful plan. The use of attorneys for legal review is a given, but for us, the use of seasoned outside organizational specialists served to bring even more expertise and objectivity to the table, and we believe this step should be considered in any potential organizational modification.

In Hesperia, reorganization was the right thing to do, and it was done for these reasons:

- Department efficiency and intercommunications had been compromised to the point of severe damage and serious inadequacy.
- Simple departmental projects were left floundering without resolution.
- Staff morale was near an all-time low, while personnel actions like firings and suspensions were becoming more commonplace and reaching crisis status.
- Public trust was nearly nonexistent.
- No pride was being taken in the work product.
- Lack of leadership had resulted in individual departments' finding their own ways of doing things without regard for other city staff, departments, or functions.
- The efficient and effective conduct of the city's business was being compromised.

Although these symptoms, whenever they occur, tell a tale of an organization in distress, no one symptom makes by itself a case for major structural change. In actuality, a reorganization is the right thing to do when the current form of the organization is not meeting the needs of its customers. Making this judgment cannot be based on past performance; it must be based upon our ability to be visionary and to mold an organization that will proactively serve its customers and community.

In the book *Enlightened Leadership*, authors Ed Oakley and Doug Krug state, "It [organizational focus] is about dealing with problems as they arise without letting them bog us down. It is about staying focused on what we want to achieve. It is the difference between looking at what is

wrong with where we are now, and looking at what needs to be done to get to where we want to be.”

## **Turnaround Went into Overdrive**

In many cases, Hesperia staff’s attempts to “conquer the box” were beaten back by internal conflict, management failure, council discord, and negative public perception.

The private sector as a whole likes to claim that it promotes its employees to think “outside the box.” Unfortunately, this is much easier said than done, and we found that, in many cases, Hesperia staff’s attempts to conquer the box were beaten back by internal conflict, management failure, council discord, and negative public perception.

To counter this trend, Hesperia molded an organization that would actually encourage responsible risk taking and innovative ways of conducting business. With a new organizational foundation in place, staff took dead aim at basic business practices and began to improve the city’s functionality from its very core. Issues that were considered “third rails,” like a significant water-rate increase, or a development impact-fee restructuring and increases, were dealt with head-on.

In all honesty, Hesperia’s turnaround truly hit high gear only when the executive leadership decided that “it was far better to do our jobs than to keep our jobs.” We realized that it was our duty to deal with every issue openly and thoroughly in the hope of saving Hesperia from the real failure that was looming in the not-too-distant future. In fact, to demonstrate commitment to this principle, all staff members who report to the manager, mostly department directors, are at-will employees. The city manager operates under a traditional employment contract with the council.

We believe that staff members should be encouraged to make contributions that test the limits of their abilities. We engage in this encouragement in order to promote growth, risk taking, and team building. We endorse the words of UCLA basketball coach John Wooden, who said, “Don’t measure yourself by what you have accomplished but by what you should have accomplished with your ability.”

Here are some of the projects that have been completed in two years. Hesperia has:

- Developed a new structure of city-council standing committees involving two councilmembers serving as a policy review board before taking any formal council action. The standing committees are administration/budget/finance, engineering/water/development, and public safety.
- Implemented a successful community visioning process, including a survey of community needs, multiple public meetings considering the results of the survey; and the council’s goals and objectives workshop, which serves as the foundation of the city’s annual budget process.
- Expended \$2 million annually for road construction. This expenditure alone constitutes nearly 20 percent of the city’s general fund.

- Adopted a 55 percent water-rate increase with little or no public discord. The increase is being phased in over five years in 15-15-15-5-5 percent increments. Also, sewer rates increased 59 percent over two years, at 44 percent in the first year and 15 percent in the second.
- As a basis for the water and sewer increases, developed and adopted a 25-year water and sewer master plan. The council took these steps to rectify system deficiencies, as well as to guide the city's path over the next quarter-century.
- Completed an overhaul of Hesperia's development impact fees (DIFs), with increases in DIF rates across the board—once again with little or no public discord.
- Achieved the highest levels of new housing starts in over a decade, with more than 530 units permitted over the past 12 months.
- Created many new jobs as the result of economic development efforts.
- Appointed new executive staff, including a deputy city manager, director of development services, director of management services, fire chief, city clerk, and public information officer.
- Adopted a new and updated traffic-circulation element.
- Fully implemented community-oriented policing (COP) with the sheriff's department, as the basic operating philosophy of the Hesperia station.
- Increased the focus and budget for improved marketing and public information efforts, including a new four-color community newsletter and an interactive, user-friendly Web site.
- Implemented a council agenda process that exceeds the provisions of the Ralph M. Brown Act, California's Open Meeting Law.
- Implemented a new budget format, with executive-level summary information at the programmatic level.
- Increased staff in vital finance areas in order to improve the organization's financial stability.
- Enhanced financial reporting, with a focus on getting it right the first time and on time. In this connection, we have embraced the new GASB 34 requirements with our auditing team.
- Proposed a municipal debt policy to serve as a guide for daily debt management, as well as to promote public understanding of the amount of debt the city currently books.
- Improved treasury functions that allow for daily investment decisions and daily "sweeping" of account balances to benefit the city's portfolio, as well as implementing the use of internal auditing of all processes to promote public accountability.
- Produced a new administrative policies and procedures manual with consistent templates for both organization-wide policies and those involving the departmental level.
- Adopted a new city purchasing system, including a new and more flexible purchasing ordinance and resolution. A new purchasing policy manual is under way.
- Dedicated more than \$2 million toward improving the city's MIS systems in order to ensure that staff has the tools necessary to do its job in the most efficient and effective manner possible.
- Completed new multiyear contracts with employee bargaining units.

- Developed pay-for-performance options throughout the organization.
- Worked with state and federal lobbyists to ensure that the needs of Hesperia are heard in Sacramento and in Washington, D.C. The city’s legislative program is formally adopted by the council each January.
- Obtained more than \$1 million in federal funds, and significant design-build legislation signed by the governor of California that will give Hesperia an alternative procurement procedure for major public works projects.

Earlier in this article, we mentioned our belief in the concept of “finishiative.” Put simply, the concept is that it takes a certain type of initiative to start something, while it takes a completely different type of effort to finish it. We have made a commitment to finish what we start, and the list above—in addition to the daily operational services that the city delivers 24/7—provides support for our collective actions and, most important, has built long-lasting trust among and credibility with the residents and business owners of Hesperia.

## **Turnaround Is Moving the City Forward**

As a result of the council’s leadership, we now are able to manage and deal with factors that make Hesperia an exciting place to live, work, and play. Although we feel that we have accomplished much in a short amount of time, our mantra of measuring ourselves in relation to our ability keeps us moving forward in concert with the council’s goal of taking the organization to the next upward level.

From a staff viewpoint, the city is working on a new development strategy focusing on the revitalization of existing resources. We are in the process of refinancing debt and continuing to leverage available resources to meet the needs of the community. A number of projects are keeping us busy and highly motivated, including the design of a new downtown and the promotion of a sense of place to empower staff through organizational growth and development. We also are continuing efforts with internal rebirth through a focus on basic business practices and individual achievement.

All in all, the new millennium has so far been good to Hesperia. The future has never looked more promising, and many more challenges and accomplishments are on the horizon. As a result of the council’s leadership and vision, we have been fortunate to be part of a renewed spirit at Hesperia that entails much more than just teamwork.

Perhaps Vince Lombardi, head coach of the world champion Green Bay Packers during the 1960s, said it best: “The spirit, the will to win, and the will to excel are the things that endure. These qualities are so much more important than the events that occur.”

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