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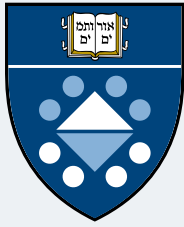
CEO SUMMIT

Yale Mayors College

The Yale Club of New York City | June 12, 2018

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Chief Executive Leadership Institute

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Agenda

Jeffrey A. Sonnenfeld, Senior Associate Dean, Yale School of Management
Richard Berry, Mayor (2009-2017), Albuquerque, NM; Fellow, Yale CELI
Douglas W. Rae, Professor of Management, Yale School of Management

Evan Absher, Senior Program Officer in Entrepreneurship, Ewing Marion Kauffman Foundation
Irene M. Baker, Executive Director, JPMorgan Chase & Co.
David M. Walker, United States Comptroller General (1998-2008)

MAYORS

Bryan K. Barnett, Mayor, Rochester Hills, MI
Luke Bronin, Mayor, Hartford, CT
Byron W. Brown, Mayor, Buffalo, NY
Jon Mitchell, Mayor, New Bedford, MA
Catherine E. Pugh, Mayor, Baltimore, MD
Thomas Small, Mayor, Culver City, CA
Victoria R. Woodards, Mayor, Tacoma, WA

RESPONDENT

D. Quinn Mills, Professor Emeritus, Harvard Business School

Mrinalini (Lani) Ingram, Vice President, Smart Communities, Verizon
Edmund DiSanto, General Counsel, American Tower Corporation

MAYORS

Stephen K. Benjamin, Mayor, Columbia, SC
Richard J. Berry, Mayor (2009-2017), Albuquerque, NM
G.T. Bynum, Mayor, Tulsa, OK
Jim Hovland, Mayor, Edina, MN
David R. Martin, Mayor, Stamford, CT
Bill Peduto, Mayor, Pittsburgh, PA
Mark Stodola, Mayor, Little Rock, AR
Beth Van Duyne, Mayor (2011-2017), Irving, TX

RESPONDENTS

Benn R. Konsynski, Professor, Goizueta Business School, Emory University
Douglas W. Rae, Professor of Management, Yale School of Management

Adam Falk, President, Alfred P. Sloan Foundation
Erica S. Spatz, Center for Outcomes Research and Evaluation, Yale School of Medicine

MAYORS

Shane Bemis, Mayor, Gresham, OR
Jim Brainard, Mayor, Carmel, IN
David A. Condon, Mayor, Spokane, WA
Greg Fischer, Mayor, Louisville, KY
Toni Nathaniel Harp, Mayor, New Haven, CT
Madeline Rogero, Mayor, Knoxville, TN
Paul Soglin, Mayor, Madison, WI
Tom Tait, Mayor, Anaheim, CA

James Fallows, National Correspondent, *The Atlantic*, Author, *Our Towns*

MAYORS

Christopher Cabaldon, Mayor, West Sacramento, CA

Will Joyce, Mayor, Stillwater, OK

Elizabeth Kautz, Mayor, Burnsville, MN

Tony Martinez, Mayor, Brownsville, TX

Lydia L. Mihalik, Mayor, Findlay, OH

Kevin M. Scarpati, Mayor, Meriden, CT

RESPONDENT

Christopher Shays, Member of Congress (1987-2009), State of Connecticut

Yale Mayors College

Jeffrey Sonnenfeld, Senior Associate Dean, Yale School of Management

Richard Berry, Mayor (2009-2017), Albuquerque, NM; Fellow, Yale CELI

Byron W. Brown, Mayor, Buffalo, NY

The mayors at the 2018 Yale Mayors College are apolitical, urban problem solvers. They look forward to the opportunity to convene with other mayors to discuss matters of substance. They:

- Have been in the role from 2 months to 24 years, and from their first term to their tenth term
- Come from urban areas, suburbs, and small towns

Collectively, there was a sense of the importance of "stepping up at this moment." Areas of focus include:

- Safety
- Transportation and infrastructure
- Jobs of the future
- Technology and innovation
- Economic development and attracting investment

Mayors are focused on the culture and the quality of life in their communities, and use working to instill in their cities characteristics such as:

- Kindness
- Compassion
- Love
- Diversity and inclusion
- Being welcoming

"Mayors are regular people who want to make their community better."

Creating New Economic Futures:
Forestalling Financial Fiascos

Overview

It is not news to mayors that cities face enormous fiscal challenges, often related to unfunded liabilities and poor labor contracts. The financial issues of the federal and state governments only exacerbate the challenges for cities.

However, there are multiple examples of cities that have made difficult decisions to reduce costs, make operational improvements, and work with states to address unfunded retirement plans. Also critical is attracting investment and creating an environment where entrepreneurs—who will be the engines of job creation—are able to flourish.

Context

Former U.S Comptroller General David Walker described the difficult financial realities that mayors face, with several mayors discussing their specific challenges and explaining how their cities are confronting these challenges. Evan Absher outlined the critical role that entrepreneurs play in driving economic growth and offered suggestions for increasing entrepreneurial activity. Irene Baker of JPMorgan Chase summarized how her organization is investing in Detroit and other cities.

Key Takeaways

To forestall financial fiascos, cities—led by mayors— must make difficult decisions.

Per David Walker, the federal government is on an imprudent, unsustainable financial path, as are some states and municipalities. The bad news for cities, which are on the bottom economic rung, is that bad news flows downhill. The federal government's financial woes put more pressure on states, which in turn have fewer resources to support cities. Mayors and cities must understand this reality and prepare accordingly.

David M. Walker, United States Comptroller General (1998-2008)

This pressure on cities comes at a time when America needs vibrant cities. More people are moving to cities, and people want their cities to be safe and financially sustainable, with work and social options. While most people are unlikely to leave a country that is struggling, people are much more likely to leave a state or a city.

For mayors:

- Job one is safety, security, and providing a healthy infrastructure.

- Job two is growing the tax base faster than the budget. While some cities have increased their tax rates, at times to exorbitant levels, this is different from increasing the tax base.

Among the financial challenges that mayors must contend with are:

- **Huge unfunded liabilities, particularly retirement obligations.** Most citizens aren't aware of these massive liabilities which are often not viewed as an urgent or serious problem. Lack of a perceived crisis makes it hard to drive change. As one mayor said, "We don't have a crisis or a burning platform for reform to deal with fiscal issues."

Mayors from California and Connecticut both expressed hope that other cities in their state (but not their city) would go bankrupt, which would help create a burning platform to get attention and drive change. Some mayors believe they will need state assistance to get out from under their unfunded liabilities.

David R. Martin, Mayor, Stamford, CT

> "I want [another city in my state] to go bankrupt to create a burning platform for change in my city."

- **High labor costs.** The can be a politically sensitive topic, but some mayors have had success at changing labor contracts as well as making changes in the number of firefighters, police, and teachers. Cities may also try to address operational costs by decreasing the number of schools, libraries, and fire stations.

- **Urban sprawl.** In places such as the Midwest where the cost of land is low, cities have built out instead of building up, creating a huge amount of infrastructure that must be built and maintained, which is costly and inefficient. Sprawl means more roads and sewers, more fire stations, and more police. One mayor suggested that cities rethink zoning decisions and how cities are developed to avoid the costs and consequences of sprawl.

- **Difficulty increasing revenues.** Much of the conversation about fiscal challenges deals with addressing costs, because cities often feel an inability to increase revenue. As one mayor said, "We have limited sources of revenues and 54% of our land is tax exempt." Mayors expressed frustration that cities subsidize regions. Cities often contain and support hospitals, universities, government facilities, and various social services, but these regional assets don't produce revenue.

Toni Nathaniel Harp, Mayor, New Haven, CT

Adam Falk, President, Alfred P. Sloan Foundation

Some cities are able to work with nonprofits, such as hospitals or universities, to provide payment to support city services. Some participants suggested that perhaps nonprofits should lose their tax-exempt status and be forced to pay taxes. But others argued that these institutions are community assets, which provide great value, and we should tread carefully before rushing to tax these entities.

While the challenges are significant, several examples were shared where cities are having success addressing their financial issues.

- In **Pittsburgh** in the early 2000s the city had a structural deficit that was 25% of the budget. Over the past 12 years the city has gone through a financial restructuring to decrease costs and increase revenues. This process, which has taken more than a decade, included making hard decisions like closing fire stations, rec centers, and swimming pools. Retirement obligations have been handled separately and structural reform at the state level is still required.

- **Hartford** asked the state of Connecticut to provide an oversight board. The state declined, and Hartford contemplated filing bankruptcy, which would provide the ability to restructure contracts and retirement plans. Ultimately,

Luke Bronin, Mayor, Hartford, CT

Hartford did not declare bankruptcy and has partnered with the state, which has assumed part of Hartford's debt burden. Hartford has decreased school costs, closed libraries, and renegotiated labor contracts. The city now has a projected balanced budget and is seeing some revitalization.

- **Detroit** did declare bankruptcy, which allowed making some difficult decisions, setting priorities, renegotiating contracts, and imposing fiscal discipline.

- **Minnesota** has a fiscal disparities fund. To address the issue of cities incurring costs and subsidizing regions, a portion of the state's commercial taxes go to a fund which is redistributed to cities that support regional assets.

- **Louisville** has focused on performance improvement, which has increased revenue by 35% while keeping headcount flat.

Cities should focus on attracting investment, providing returns, and showing impact.

In 2012, JPMorgan Chase changed its philanthropic giving philosophy. The intent was to have the greatest impact by creating economic opportunities. Specific areas of focus included small business, community development, and closing the skills gaps.

Seeing a crisis in Detroit—along with an opportunity for impact and a fit with the organization's funding objectives—JPMorgan has participated with other foundations and investors in reinvigorating Detroit by making major investments. Importantly, the organization's funding is viewed as an investment, not charity, and often involves

loans. JPMorgan is supporting entrepreneurs and small businesses, building capacity, providing technical assistance, and fostering networks.

Executive Director Irene Baker complimented Detroit's mayor, who has set clear priorities and has focused the attention of investors and foundations. Detroit provides a model for other cities.

Irene M. Baker, Executive Director, JPMorgan Chase & Co.

Baltimore Mayor Catherine Pugh also stressed the importance of investment in cities. In Baltimore, Goldman Sachs is investing more than $200 million because it sees economic opportunity. In addition, state funding to build new schools is amplified by city funding to rebuild neighborhoods around schools. Other investments involve Johns Hopkins and the University of Maryland providing incentives for housing so that people can live in the city, near where they work.

Catherine E. Pugh, Mayor, Baltimore, MD

Pugh sees a key role of mayors as leading the investment in cities. This includes investing in public infrastructure as opposed to privatizing and selling off key municipal assets and services.

Cities must take steps to encourage and assist entrepreneurs.

Evan Absher, who focuses on entrepreneurship at the Ewing Marion Kauffman Foundation, described how large companies shed jobs and move, while entrepreneurs—who tend to be younger and more demographically diverse—are net job creators.

Cities want and need entrepreneurs to provide energy and to create new jobs. However:

- The number of entrepreneurs is down, due to factors such as high levels of student debt.

- Government policies tend to favor incumbent companies, not entrepreneurs.

- Entrepreneurs face several barriers, particularly related to forming networks. This is especially true for women and people of color, who have less robust networks, making it harder to take the initial steps to launch a company. Fostering networks is an area that cities can work on to promote entrepreneurship. This is the most scalable way to boost entrepreneurship.

Two areas of focus for the Kauffman Foundation are:

- 180 legal clinics across the country that can help entrepreneurs in numerous ways, including with insurance and taxes.

- Helping mayors band together in a systemic way to share ideas and create sustainable, scalable ideas and plans.

Evan Absher, Senior Program Officer in Entrepreneurship, Ewing Marion Kauffman Foundation

Smart Moves for Smart Cities:
Infrastructure & Innovation

Overview

The concept of becoming a smart city is appealing. Smart cities use technology and information smartly to run more efficiently. Becoming a smart city requires a modern technological infrastructure, which is exciting to consider, but is politically complex, expensive, and requires dealing with issues such as interoperability and security. Overcoming these challenges will require collaboration and public-private partnerships.

Context

Lani Ingram, who works on smart communities for Verizon, and Edmund DiSanto of American Tower Corporation, discussed the critical role that technology plays in creating smart, competitive cities. Several mayors shared their thoughts on the opportunities and challenges in becoming a smart city.

Key Takeaways

The technological infrastructure to create smart cities will be driven by local leaders and partners.

Across the globe, urbanization is occurring at a massive scale. To deal with urbanization and to make cities sustainable, efforts are underway to leverage technology to create "smart cities." Dubai and Singapore were cited as advanced cities that are working to become smart cities.

Mrinalini (Lani) Ingram, Vice President, Smart Communities, Verizon

Lani Ingram's view is that the equation for a smart city is:

- 25% technological
- 50% related to the physical infrastructure
- 25% related to how a city is managed, with smart cities managed differently

Some cities are already smart in using technologies to decrease energy use. This might include incorporating the use of renewables and decreasing energy use during off-peak hours.

Mayors see a city's technological infrastructure as a critical element in attracting businesses. As one mayor said, "To attract entrepreneurs and compete globally, you need high-speed Internet." Another participant observed that with 80% of infrastructure being funded by state and local sources—not by the federal government—it is important for state and local leaders to think about infrastructure strategically, as it will be a source of competitive advantage (or disadvantage) and will attract companies and talent.

> "Eighty percent of infrastructure is state and locally funded, not federally funded. You have to think of infrastructure strategically, because it will attract talent and companies."

Ms. Ingram commented that the telecom industry wants to move quickly to create a 5G broadband infrastructure and to help build smart cities across the country. And mayors, seeing the high cost to their cities of a modern technological infrastructure, realize that they need to form partnerships. Ingram believes that industry and cities both have the incentive to form public-private partnerships, and that the parties will get there.

The perspective of Edmund DiSanto, from American Tower, is that in our mobile, Internet of Things world, the technological infrastructure that is required to support smart cities must incorporate mobile—it can't just be fiber. With increasing expectations for connectivity for any device in any location at any time, and with increasing demands for bandwidth, American Tower is looking at how the company can better serve cities.

Edmund DiSanto, General Counsel, American Tower Corporation

In addition to more cell towers in more locations, American Tower is considering "street furniture" in cities, such as light poles that have embedded cells. This will enable mobility, enhance connectivity, fit within the context of a city, and help make cities smarter. Because each city is different, with different needs, American Tower understands the importance of infrastructure flexibility. The company is interested in multiple pilots within cities or regions, particularly focused on the connection of devices as part of the Internet of Things.

Becoming a smart city requires overcoming several major challenges.

While research shows that a majority (74%) of government leaders have a positive view of smart cities, and within large cities, only 3% of citizens have a negative view of smart cities, becoming a smart city requires overcoming several challenges. Among them are:

- **Funding.** Where can cities get the funds that are required, and what is the business case?
- **Insufficient ROI.** Related to the business case is the question of the ROI for smart cities. For example, one statistic that is mentioned to support smart cities is that $124 billion in fuel is wasted due to traffic. But with smart cities, who would realize profit from decreased fuel expenses? Questions are where does the investment come from and where do the returns go. It is not clear if there is an ROI for businesses.

- **Silos and bureaucracy.** Becoming a smart city means dealing with politics in each city and dealing with silos of data which will need to be integrated.

- **Skills gaps.** Cities currently lack people with skills in developing or operating smart cities.

- **Reliability of the technology.** The technologies for smart cities have not necessarily been proven as reliable at scale.

- **Privacy and security.** With the rise of cyber-threats, smart cities create security and privacy risks.

- **Interoperability and integration of data.** Integration of data from multiple sources is necessary for making the city smart through real-time analytics.

Other challenges discussed by mayors included:

Mark Stodola, Mayor, Little Rock, AR

- **Loss of control.** In general, mayors have an interest in laying the foundation to become a smart city, but are concerned about loss of control to large corporate partners as well as loss of control due to state preemption of cities. The telecom industry wants to move quickly and doesn't want to go city by city, yet every city is unique.

- **Technological uncertainty.** While the concept of creating a smart city is appealing, it can be dangerous to get too far in front of new technologies, to try to predict preferences, and to predict adoption. In previous generations of technology, experts have been awful at predicting which technologies will win or the size of markets. Government leaders should proceed cautiously.

A consistent theme was that overcoming these challenges will require leadership by mayors and public-private collaboration.

Steve Benjamin, Mayor of Columbia, South Carolina, and president of the U.S. Conference of Mayors, is planning to convene mayors to have a series of conversations about smart cities over the next year and a half. He said that mayors want to be proactive about what they want from industry in creating smart cities.

Stephen K. Benjamin, Mayor, Columbia, SC

Victoria R. Woodards, Mayor, Tacoma, WA

Elizabeth Kautz, Mayor, Burnsville, MN

Quality of Life & Urban Vitality:
Culture & Cardiology

Overview

Health care researchers and the health care profession are realizing that just focusing on aspects of people's health that are affected by the health care system is thinking about health too narrowly. A more expansive view is to think about "well-being." This takes into account a person's safety, their ability to do what they want, and their sense of purpose. Communities can play an important role in enhancing the well-being of their citizens. Many cities and mayors are already focused on doing so.

Context

Cardiologist and health researcher Erica Spatz shared research that looks holistically at the overall well-being of citizens and the role that cities can play in enhancing well-being.

Key Takeaways

Leading health care thinkers are increasingly focused on "outcomes" which are affected by factors outside of the traditional health system.

Dr. Spatz shared a case study about a health care patient and raised some provocative questions.

The patient is a 44-year-old male with congestive heart failure (CHF). He has a life expectancy of five years and has generated $250,000 in health system costs. The person has a poor diet, doesn't get adequate exercise, and experiences a great deal of personal and financial stress.

This individual is part of a larger context where there are enormous health disparities. For example, the average life expectancy for men in some parts of West Virginia is 64 years, while in parts of Virginia it is 82. In fact, life expectancy can be predicted by knowing a person's zip code.

Questions Dr. Spatz posed were: Could the health care system do more for patients such as this individual? And, how can we help patients?

Traditionally, health care providers would answer such questions with a narrow focus, looking only at what types of health care services participants in the health system could provide to assist the patient. This has been driven in part by the fee-for-service payment model which has rewarded providers for delivering more medical services.

However, in recent years the health system has shifted somewhat to focus more holistically on health outcomes. In looking at outcomes, it has become clear that many of the most important factors that affect outcomes are outside of the traditional health care system, and include areas such as housing, transportation, food, and mental health services. In new care models such as accountable care organizations (ACOs) where providers have financial risks and rewards tied to outcomes, providers are investing in non-medical services to improve outcomes.

Erica S. Spatz, Center for Outcomes Research and Evaluation, Yale School of Medicine

So, somewhat surprisingly, Dr. Spatz said that the health care system could not necessarily do more to help this particular CHF patient. But society could assist this individual by providing non-health care resources to improve the individual's overall well-being.

> "Helping patients is often not the health care system; it is outside of the health care system. We need to do more to look at well-being."
> — Dr. Erica Spatz

Mayors are attuned to quality of life and well-being.

After Dr. Spatz discussed the concept of well-being, several mayors responded that they are aware of and pay attention to the Gallup Well-Being Index. Comments about well-being included:

Lydia L. Mihalik, Mayor, Findlay, OH

- Smaller and mid-sized cities often fare well in the Gallup Well-Being Index, which they use in marketing the attractiveness of living in their community.

- Well-being goes beyond a person's health to ask about, "Can you do what you want to do?" This deals with quality of life and touches on areas that communities can impact such as transportation and community assistance.

- Well-being can be affected by giving people a sense of purpose. For seniors, purpose and well-being can be affected by volunteer activities.

- Related to well-being is the idea of having a sense of security. Cities can improve the sense of security and the feeling of well-being with good lighting.

Our Towns:
Good New from the Heartland

Overview

There is a major disconnect between the picture painted by the national media and what James and Deborah Fallows experienced in America's towns. The Fallowses see national politics playing a very small role in the daily lives of most Americans, and see a great deal of positive momentum in American towns. They saw and experienced a wave of renewal, remedies, and reinvention at the local level—often driven by mayors.

Context

James Fallows described the process and shared major insights from his new book, *Our Towns: A 100,000-Mile Journey into the Heart of America*, co-written with his wife Deborah Fallows. The Fallowses asked Americans in cities off of the normal media landscape to "tell us the story of your town."

James Fallows, National Correspondent, *The Atlantic*, Author, *Our Towns*

They received about 1,000 essays and proceeded to visit many of these towns, often staying for a few weeks. Unlike most reporters visiting American towns, they were not following up on a disaster and were not asking citizens about national politics; they were there specifically to better understand what is happening in towns across America.

Key Takeaways

What is really happening in America's towns doesn't comport with the national narrative.

The typical national narrative is that the people in towns across America are miserable and angry. The general perception is that people are consumed by national politics, and that deep political divisions permeate people's lives.

This is not what the Fallowses found. In travelling to dozens of towns across America, and speaking with many people in each town, the Fallowses drew different conclusions. Yes, national politics is polarizing, but it represents a small part of each person's and each town's daily life, and national gridlock is not preventing tremendous progress at the local level.

> "There is a gap between national politics and the rest of life, and this gap is wider than ever."
> —James Fallows

For example, while Greensville, South Carolina, is located in a very red, conservative state and Burlington, Vermont, is in a progressive, blue state, these towns are far more similar than they are different.

A wave of renewal is taking place in America's towns.

The Fallowses saw and experienced a wave of reinvention, renewal, and remedies taking place in towns throughout America. They saw a renaissance of public libraries, absorption of immigrants, greater use of community colleges, and a practical, progressive spirit. At the local level the Fallowses saw resourcefulness, experimentation, and planning for the future.

Madeline Rogero, Mayor, Knoxville, TN

> "There is a general sense of positive movement [in America's towns]."
> —James Fallows

Reaction to this finding by those in New York or Los Angeles has generally been, "This can't be true; people are miserable." But the Fallowses disagree. In contrast, the general response of those in other regions and in America's towns has been, "This rings true."

Mayors play a key role in this positive story.

Mr. Fallows characterized America's mayors as "heroic players." He said that mayors are leading a local-level renaissance, and are creating stories of practically applying resources to solve problems. He cited Louis Brandeis, who previously viewed America's communities as "laboratories for democracy." He is hopeful that the progress being made locally will help usher in a new progressive era in America.

Tony Martinez, Mayor, Brownsville, TX