

Discussion Questions

1. What responsibilities, ethical and organizational, does Patricia have to the Johnson Medical Center? Explain.
2. How might Patricia enlist the national organization in her efforts to change the hospital's position? Explain.
3. How should Patricia have communicated her contact with Tillinghast to her superiors? Explain.
4. What would you have done if placed in this scenario? Why?
5. How might your decision affect the organization's image and networking within the community? Explain.

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**OAKDALE
ADMINISTRATOR CASE**

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OVERVIEW**Abstract**

This case examines the political trade-offs and tough decisions that must be made to restore a municipal government to fiscal stability. In an era of flat revenue growth or decline, many municipalities face stark choices regarding economic development and growth. Oakdale, a suburb of a medium-sized city, is struggling to compete with the more prosperous and attractive surrounding municipalities for redevelopment projects and business investment. Complicating the situation is a scandal involving the previous city administrator who was found guilty of violating state ethics laws and gross fiscal malfeasance.

Main Topics

Decision making, Financial management

Secondary Topics

Political context, Ethics

Teaching Purpose

To put students in the shoes of municipal officials as they struggle to balance the budget and at the same time provide their residents with a higher quality of life.

The Organization

A small suburban municipal government with a weak economic base in the inner suburbs of a large city.

Main Characters

- Ernest Hoffnagel, Former Mayor
- Angela Donny, Former City Administrator
- Allen Hauser, Alderman
- Helen Robison, Alderwoman
- Paul Asher, new City Administrator
- Marie Clarkson, Interim Mayor

BACKGROUND

The history of Oakdale dates back to the early nineteenth century and to territories originally occupied by French and Spanish traders. There have been human settlements in the area since that time. In 1941, Oakdale officially became a state-chartered municipality and in the process established its current city government structure, creating the positions of mayor and board of aldermen and building a city hall. The current organizational chart for the City of Oakdale can be viewed in Appendix A.

Oakdale currently has a population of about 5,000 citizens according to the most recent census. The majority of Oakdale citizens are considered lower middle class, with a median income of \$47,869 and a median house value of \$100,900. The majority of the residents (65 percent) are white. However, a significant percentage (29 percent) is African American. The rest of the city's population consists of Native Americans and Hispanics.

Among the surrounding municipalities, Oakdale is considered something of an eyesore. So much so that citizens on the dividing line between Silver Lake City and Oakdale consider themselves residents of Silver Lake City, and even go so far as to claim that city as their mailing address. Their reasons for disavowing Oakdale are varied, but chief among them are the city's worn-out central business district and drab-looking neighborhoods. The illusion has so far worked; postal employees deliver the incorrectly labeled envelopes to those who wish to be considered residents of Silver Lake City.

Although image cannot determine the true value of a community, certain neighborhoods do appear worn, even, in some cases, seriously dilapidated. The architectural design of many retail shops and commercial establishments is outdated. Although some remodeling has been completed, along with the construction of a few new buildings, the city's business district lacks overall design consistency. Whether in a residential neighborhood or off the main artery in Oakdale, one retail store or home may look appealing and up to date; then next door, there will be another one in serious need of repair. As a result, the city appears in economic decline, which serves as a serious impediment to attracting new residents or businesses that might invest in the community. According to the city's auditors, the budget of Oakdale in 2008 was approximately \$3.5 million, essentially the same as the year before. Compared to similar-sized municipalities in the same state, Oakdale lags behind in terms of

both revenues and expenditures. Therefore, city government has little in the way of available money for new projects. Without a change in the city's business climate, Oakdale's revenues and expenditures will likely decline. For instance, Silver Lake City, Oakdale's neighbor, has a population of just over 7,000, but its median income is \$109,345 and the median house value is \$359,888—both figures significantly greater than Oakdale's. Silver Lake City also has a higher percentage of white residents than Oakdale with 89 percent of the population being white. Silver Lake City's municipal budget is \$6.7 million and has shown slight increases every year.

In April 2003, Ernie Hoffnagel, a former alderman, was elected mayor of Oakdale over the incumbent, Carl Bean. Hoffnagel, a slight man in his late fifties and a car salesman by profession, focused his campaign on revitalizing the city by attracting new businesses and residents. About a month before the election, on March 12, 2005, the local Oakdale newspaper published an interview it had recently conducted with Hoffnagel, in which he stated the following:

This city has been in the shadows of neighboring municipalities for too long. It's time that Oakdale creates a new identity for itself. It needs a new brand: something jazzy. Too many houses and businesses are unkempt and just plain decrepit. As mayor, I'll enforce the codes; we'll have more rigorous housing inspections and see to it that our retail centers are remodeled, catching the eyes of nonresidents. I want each and every visitor to leave saying, "Wow, Oakdale is one neat place!"

Oakdale voters were immediately taken with the diminutive Hoffnagel's enthusiasm. Incumbent Carl Bean, a certified public accountant, who was more analytical than charismatic, asserted that Hoffnagel's claims were too idealistic and not fiscally feasible. Whereas Hoffnagel talked change and improvements, Bean worried over costs and budgets. Ever the politician, Hoffnagel used Bean's cautious conservatism to his advantage, contending that his opponent had not only failed to bring in new business but had not done enough as mayor to raise the city's reputation. Bean countered by enumerating all his successes during his term. However, it had little impact among the voters; the improvements, for example, fixing sidewalks here and repaving roads there, seemed relatively slight in comparison to the city's mounting image problems. The voters overwhelmingly supported the salesman, Hoffnagel, who promised a rosy future for Oakdale.

REDEVELOPING OAKDALE

With his victory, Mayor Hoffnagel quickly moved to terminate the previous administration's staff and bring in his own people. Hoffnagel's most significant and controversial appointment was that of Angela Donny as the city manager. Donny had an infamous reputation throughout the region.

In twelve years of local city government positions, she had worked in no fewer than eight municipalities. In fact, the International City/County Management Association (ICMA) had investigated her actions a half-dozen times and had issued two public censures. When her past record was revealed to Oakdale citizens, there was an immediate outcry, including many calls for her resignation. Mayor Hoffnagel consequently called an impromptu press conference, at which he made this brief statement:

I have known Angela for twenty years and worked with her for five. Much like me, she has made and acknowledged her mistakes. Yet, her actions were not criminal, but they were done out of a desire to make changes and improve lives. My administration will not be about waiting, but about evolving. To that end, I ask you to begin the healing process and overlook her early mistakes made out of an over-eagerness to reform.

The mayor had some clear ideas about changing Oakdale and he thought that Donny had the experience and energy to help achieve his vision. A year before Hoffnagel's election, the Oakdale Board of Aldermen discussed a blueprint for the construction of a new city center project. By the time of Hoffnagel's election, the redevelopment project was still in the design phase. At a Board of Aldermen meeting in April 2003, Mayor Hoffnagel, in his typical imperious manner, announced that plans for the redevelopment project needed to be put into action immediately. The Mayor, in his address, appeared anxious and somewhat frustrated that more had not been done with the project. He declared that quicker completion of the complex would save the struggling city. According to the minutes of the meeting, Mayor Hoffman concluded his speech, saying:

In order to get this project off the ground, I have instructed City Administrator Angela Donny to issue requests for proposals (RFPs) for a project manager. I, under mandatory procedure, will conduct an initial analysis of the project determining its feasibility.

The board was stunned into silence by the mayor's announcement. Surprised by the mayor's unilateral decision, Allen Hauser, a long-time aldermen of Ward II, muttered to nearby Helen Robison, a new alderwoman from Ward III, "We need to watch this guy."

Only a week later, Donny reported that she had not only signed a contract with a project manager, but with an architect as well. The Board of Aldermen along with the Economic Development and Planning and Zoning Committees were taken aback by the almost complete lack of due process and asked to review the RFPs at the April Board of Aldermen meeting in order to determine whether Donny had given all interested parties an equal opportunity to bid on the two contracts. An exhaustive RFP process ensures that the city is not only receiving the best price for the service but that the city is also

aware of all its options. Donny responded evasively to the board's request, "I do not have them currently with me, but I will make sure all interested parties will receive them in the near future."

By July, the aldermen, the committees, as well as informed citizens still had not heard from City Administrator Donny regarding the RFP process. When the "old business" section of the agenda was completed, the following dialogue occurred between Alderman Hauser and City Administrator Donny according to the minutes:

HAUSER: Where are the RFPs, Ms. Donny? It has been three months and no one has heard anything. Yet, the plans to begin construction after the acquisition of the land seemed to be moving forward. Where are the RFPs?

DONNY: I do not know. My staff and I have been unable to locate them.

HAUSER: What do you mean? Are they lost?

DONNY: Yes, at the moment. (Hands Hauser form disclosing total cost.)

HAUSER: So, without consulting other administrators, you decided what parties would best complete the job isolating the rest of us from the decision-making process. All you have submitted on this multi-million-dollar project are total costs of more than \$300,000.

Donny's inability to produce the missing RFPs proved the last straw for the frustrated aldermen and portended worse to come. The board, now concerned about the redevelopment project that it never approved, asked to see the preliminary analysis supporting the economic feasibility of the project. Mayor Hoffnagel assured the board of the practicality of the endeavor, but the board could not be dissuaded by the mayor's reassuring language. As a result, two independent firms were contracted in July to assess the feasibility of the project, but there was no assurance from either firm that its assessment would be completed before the agreed-upon acquisition of the two properties in September.

As it turned out, the independent firms did not complete their assessments until October. Therefore, the acquisition of the properties for an estimated total of \$4.2 million went forward without opposition. When the board and other interested parties received the independent analyses, the aldermen called an emergency meeting in late October to discuss the economic burden the city had assumed. Before anyone had time to address the state of the redevelopment project, Mayor Hoffnagel quickly denounced the independent firms' results as inaccurate and misleading.

The figures from the analyses in front of the board were quite daunting and depressing. The board, after considering these numbers, realized that the

city was more than \$4 million in debt and moved to terminate the project and sell the recently acquired properties. The mayor quickly responded to the board's action, not directly but through local television, arguing only a few days later that "There are still members in Oakdale's city government who fear change and are scared off by a few obstacles."

After the mayor's statement, the Citizens Review Board (CRB), a voluntary organization composed of appointed residents from local neighborhoods, spoke to the aldermen in a meeting later that month. The CRB argued that the citizens wanted to see the completion of the project because it provided a chance for economic growth and new revenue streams.

As the tension over the issue grew, the ICMA Committee on Professional Conduct instigated another investigation into the practices of City Administrator Donny in February. After only a few weeks, the committee revealed that Donny had failed to ascertain and distribute the proper number of RFPs, employed individuals unqualified for their positions, had not demarcated or updated the responsibilities of her staff, and generally behaved in an unethical manner. Consequently, the committee expelled Donny from her position in the same month. With Donny's termination, it appeared that Mayor Hoffnagel had little room to maneuver.

In March 2004, at a Board of Aldermen meeting, according to the minutes of that night, Aldermen Hauser addressed the situation with Donny and Hoffnagel:

As I sit here, the city of Oakdale is in bitter turmoil. What began as a project of hope has become one of despair. In what has proven to be unethical violations by former City Administrator Donny and what I believe to be lack of leadership on the part of Mayor Hoffnagel, there is now a schism in the local government and amongst the residents. Mayor Hoffnagel (pointing emphatically in his direction), you once spoke about getting work done, here's your chance!

Later that month, Mayor Hoffnagel resigned from office a broken man, leaving many questions to be answered. For the city of Oakdale, which had been searching for ways to reinvigorate itself, the development project that appeared to be the answer had turned into a major problem.

A CHANGE OF ADMINISTRATION

By June 2004, the Board of Aldermen and the committees had appointed an interim mayor and city administrator until the next elections in 2006. Marie Clarkson, a former city administrator and mayor of a small city in Minnesota, was selected as the interim mayor. Although Clarkson was a credible choice, she had been retired from local city government work for nearly ten years. Since her retirement, Clarkson had become a realtor in the same city she once served. Hauser, a friend of Clarkson's, knew of her success in

Minnesota, and believed that she was the right person to regain the city's balance of authority and direction. Moreover, Paul Asher, who received his graduate and doctoral degrees from local universities, was selected to act as the interim city administrator. Asher, however, had little in the way of practical experience as a city administrator. While in graduate school, he interned under the city administrator. Offered a position after his internship, Asher declined citing a change in careers. He worked on two congressional campaigns and took a position on a politician's staff in Washington, D.C., before returning to the area. He took a job as the city manager of another nearby municipality and had only been there a few months before he received the phone call from Oakdale.

After a week of adjusting to their new roles, Asher and Clarkson corresponded with one another and decided to meet informally to discuss Oakdale's predicament. After pleasantries, Asher quickly got their dialogue focused on Oakdale's redevelopment project.

Since his arrival, Asher had been compiling data in order to redress the economic inefficiencies of the previous administration. Asher relayed to Mayor Clarkson that there were several ways in which this problem could be addressed. Clarkson quickly interrupted Asher to remind him that they were operating against the clock. Not only were the citizens of Oakdale referring to city hall as the "City of Oak-Heads," but developers and interested businesses would be scared off the longer the land sat dormant. Both agreed that a decision had to be made on whether the redevelopment project should proceed or whether it was wiser to shut down the project and find ways to recoup expenditures. Mayor Clarkson explained to Asher that she would call an emergency meeting in the first week of August at which the fate of the project would be decided. This gave Asher one month to find a solution to the multi tiered problem. After they shook hands, Asher walked to his car feeling that the weight of this decision was on his shoulders.

As soon as Asher returned from his meeting, he sat down at his desk, took a sip of cold coffee, and began to chart out the implications of either choice. If he ruled in favor of the decision to proceed with the redevelopment project, then there were both positive and negative outcomes. On the positive side, the redevelopment would increase morale and confidence within the community. It would help keep and attract local businesses. If it was not funded, it would hurt future project proposals. On the negative, as a result of the financial burden of the project, the quality of municipal services would be lower or taxes would need to be raised. For example, in order for the redevelopment project to be completed successfully, all unassigned general funds would have to be directed toward the services related to the complex. According to independent auditors, the Public Works and Police Departments were an estimated \$30,000 over budget in 2004. Cuts would have to be made, but where?

Asher leaned back in his chair, rubbed his face with both hands, and as his weary eyes readjusted, they caught a glance of something that he kept framed on the wall of his office. As he gazed at the picture frame, Asher

recalled the part of the conversation with Clarkson when they discussed the previous administration's ethical lapses. He realized that just as important to the city's reputation as good fiscal management was restoring the city government's integrity. He walked to the left of his desk and looked at the City Administrator's Code of Ethics, the object that was framed on his wall.

Asher was reminded by the code that his decision would ultimately affect the well-being of the residents of Oakdale for not just this year or next but for many years to come. What would be the best way to present the facts of the case to the residents and give them an opportunity to offer their input? Furthermore, it is his duty to make the most fiscally responsible choices for the city. Gambling on a project that may or may not succeed is a bet using the tax money of Oakdale citizens. The analysis was creating a great deal of stress so he went to the window in his office, leaned against it, and began working out the details. Ultimately, if they did proceed with the project, the procedural steps would have to be completed fully and accurately, allowing residents to regain confidence in their government while creating an opportunity for generating new revenues.

On the other hand, if the project was terminated, Asher would be unpopular with the citizens, at least, initially. Then again, the property could be sold, minimizing the city's losses, and a new project, that was better conceived and more transparent in its planning, could be started. At that very moment, a ringing tone came from his computer, which was a signal that he had just received an e-mail. Out of habit, Asher walked over to check it. It read:

TO: City Administrator Paul Asher
FROM: Aldermen Allen Hauser
RE: NW/SW Redevelopment Project

I just spoke with Mayor Clarkson about ten minutes ago. She told me the content of your conversation. I agree that something needs to be done to clear up the mess created by Hoffnagel and Donny. But, I will be honest with you: the Board of Aldermen is really torn on this issue. We will be really looking toward you for guidance.

Sincerely,

Allen Hauser

The burden of this problem thus continued to grow. With the content of the e-mail in the back of his mind, Asher began to hash out another scenario. He thought that if he rejected the project outright, then it might hamper other

growth opportunities in the future. Asher was tired, and at this point, he turned off his computer, went to his office door, and turned off the light to head home.

When the day of the August meeting arrived, Asher got up, put on his suit, toasted a bagel, and headed to Oakdale City Hall. As he pulled into his parking space, he noticed that there was a large turnout of citizens. Once he arrived within the building and everyone settled, the meeting commenced. After the formalities, the resolution for the redevelopment project came up for discussion.

Alderman Hauser read the proposal on whether the redevelopment project should proceed or be terminated. Hauser turned first to Paul Asher and asked, "City Administrator Paul Asher, what do you have to say on this issue?"

Discussion Questions

1. How would you address the building problem if you were in Asher's position? Explain.
2. As city administrator, how should professional and personal ethics inform your actions in this case?
3. Being a nonelected official, how can Asher be effective as a city administrator in the local political environment (including the press and interest groups)?
4. Was the use of authority in procuring contracts for a project manager and an architect an individual, departmental, or systemic problem? Why?
5. How should Asher address Oakdale's fiscal issues? What would be his most effective course of action? Why?