

20th Century Tools, 21st Century Communities: *Rapid Change & High Expectations*

Mountain Town Planners 2019
Elected Officials Session

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Charture Institute, Jackson WY*



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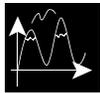
Part I: Expectations



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Schechter's Equation for Life: $S = R - E$

Satisfaction = Reality minus Expectations



3

Schechter's Equation for Life: $S = R - E$

Setting your expectations for today's presentation

- Part I: Expectations
- Part II: Change
 - *Exercise A: What matters to your community?*
- Part III: The Spectrum of Economic Activities
- Part IV: The Iceberg Theory of Local Government
 - *Exercise B: Build your own iceberg*
- Part V: Financial & Generational Misalignment
- Part VI: Summary
 - *Exercise C: Your community in the 21st century*
- Part VII: Discussion

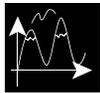


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Schechter's Equation for Life: $S = R - E$

What can you expect from today's talk?

- Not answers
- Instead, framing and raising questions
 - *About what is asked of local government*
 - *About the tools we have for addressing what we are asked/hope to do*



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Schechter's Equation for Life: $S = R - E$

The fundamental question framing this presentation

- ***Why is local government so bloody difficult?***

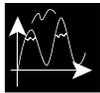


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Schechter's Equation for Life: $S = R - E$

Fundamental beliefs shaping this presentation: #1 of 2

- Special challenges
 - *Every special place to live in the world is facing the same basic suite of challenges:*
 - Affordable/workforce housing
 - Transportation & related infrastructure
 - Issues related to growing income inequality
 - *No place on Earth has successfully addressed these special challenges. **None***
- Because of their size, economies, and interconnections with the environment, these challenges are striking mountain towns with exceptional force



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Schechter's Equation for Life: $S = R - E$

Fundamental beliefs shaping this presentation: #2 of 2

- Unique challenges
 - *In the 250 years since the Industrial Revolution began, with perhaps one exception, no place on Earth has developed a successful post-agrarian economy without significantly compromising the health of its ecosystem. **None***
 - The one exception might be the southern portion of the Greater Yellowstone Ecosystem



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Schechter's Equation for Life: $S = R - E$

Fundamental beliefs shaping this presentation: #2 of 2

- Unique challenges (cont.)
 - ▶ *Because the economies and cultures of our towns are so tightly linked to the health of the environment around them, we need to figure out how to maintain/restore their environmental health while simultaneously maintaining economic vitality*
 - There is no road map/blueprint/recipe for doing this
 - We also need to do this while addressing our “special challenges”
 - ▶ *Hence the focus of today's talk*
 - 250 years of history suggest the current approaches we use for thinking about our future won't produce the results we want
 - Since there are no clear alternatives, as a first step let's reframe how we think about things



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Part II: Change

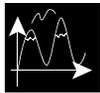


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Schechter's Maxim: Abbreviated

*Economies change faster than perceptions;
Perceptions change faster than politics*

- For example...social networking
- Facebook first opened to all comers in Sept. 2006
 - ▶ **Economy**
 - 13 years later, annual revenue of \$55.8 billion; market cap of \$533 billion
 - ▶ **Perceptions**
 - Generally viewed as positive for first 10 years
 - Then came the 2016 election...
 - Today, usage down 10% from 2017
 - ▶ **Politics**
 - Government has no idea how to regulate, or even if...



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Schechter's Maxim: In Full

- Science changes faster than technology
- Technology changes faster than economies
- Economies change faster than perceptions
- Perceptions change faster than politics
- Politics changes faster than legislation
- Legislation changes faster than jurisprudence



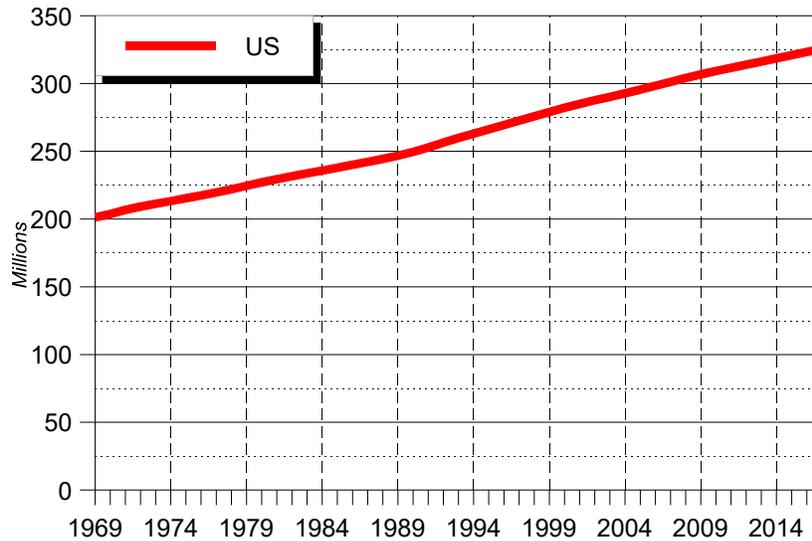
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Let's Talk About Change

The most obvious indicator of change: population

US Population Growth 1969-2017

201 to 326 million; 62% total growth; 1.0% annual growth

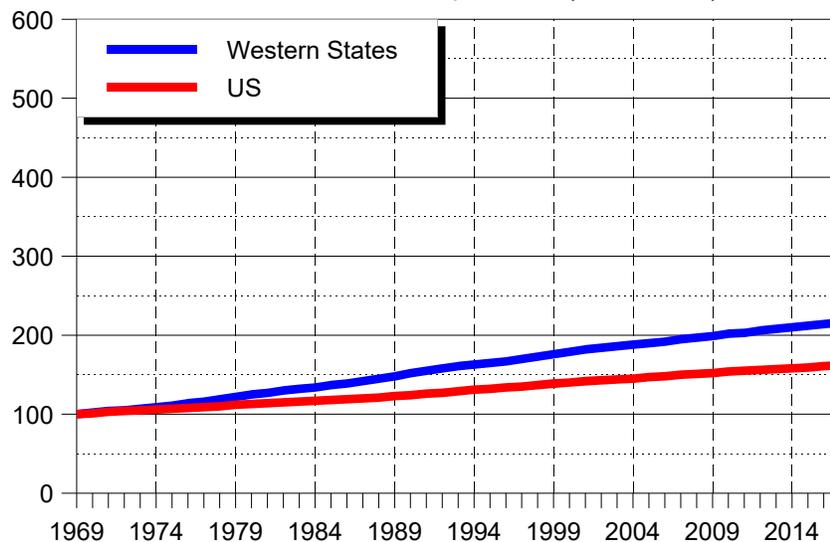


Let's Talk About Change (cont.)

Western states' population growth rate 60% above US's

US v. Western US States: 1969-2017

Relative Growth of Population (1969=100)

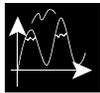
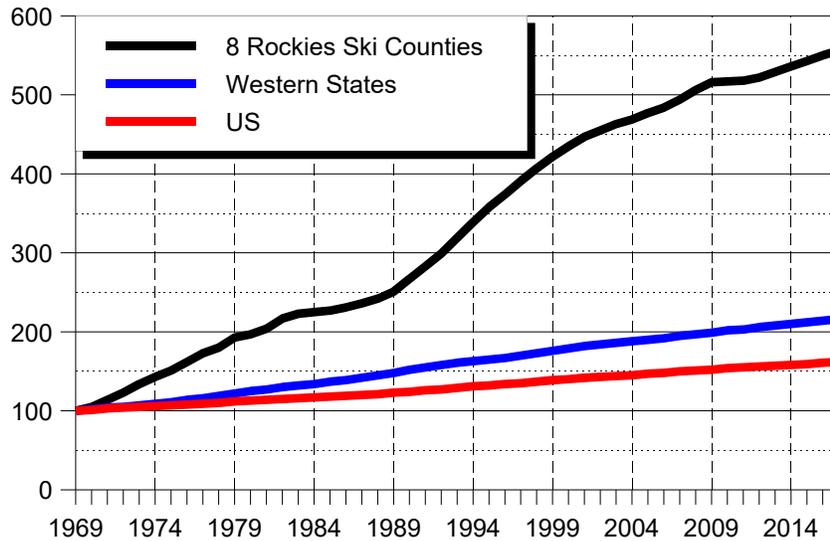


Let's Talk About Change (cont.)

Growth rate of 8 major Rockies ski counties 3.6x US rate

US; W. States; 8 Rockies Ski Counties: 1969-2017

Relative Growth of Population (1969=100)

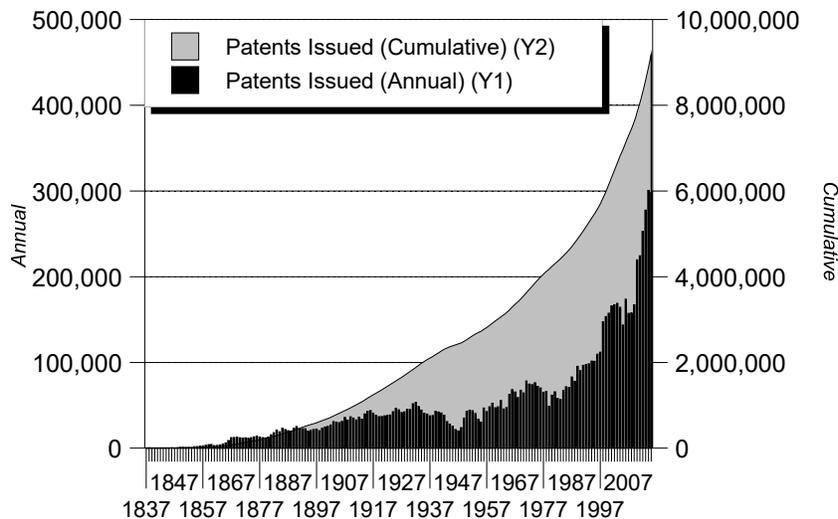


Let's Talk About Change (cont.)

Schechter's Maxim II: Technology changes faster than economies

US Patents Issued: 1837-2015

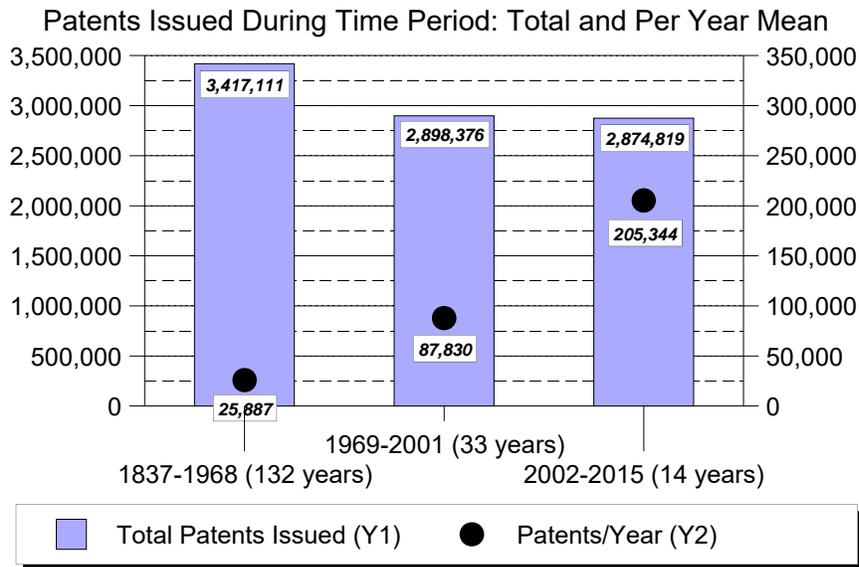
Annual & Cumulative



Let's Talk About Change (cont.)

About as many patents issued 1837-1968; 1969-2001; & 2002-15

US Patents Issued: 1837-2015



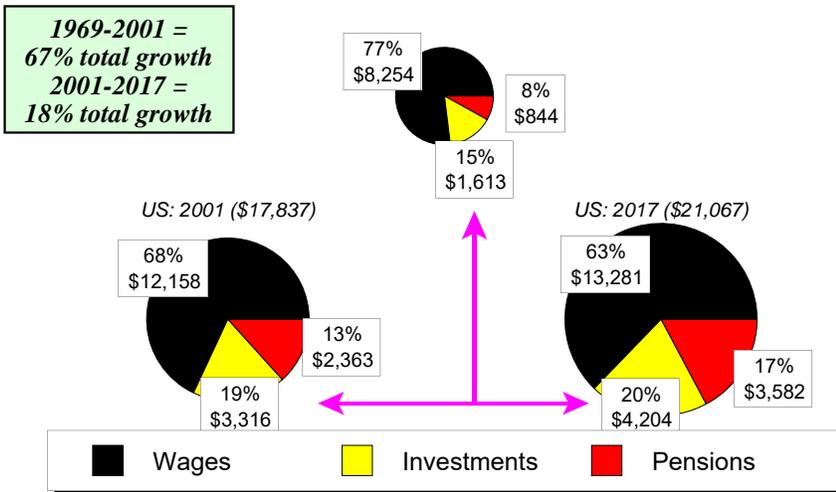
Let's Talk About Change (cont.)

Schechter's Maxim III: Economies change faster than perceptions

US Per Capita Income

Income, by Source (constant \$): 1969, 2001, 2017

US: 1969 (\$10,711 total)



Let's Talk About Change (cont.)

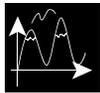
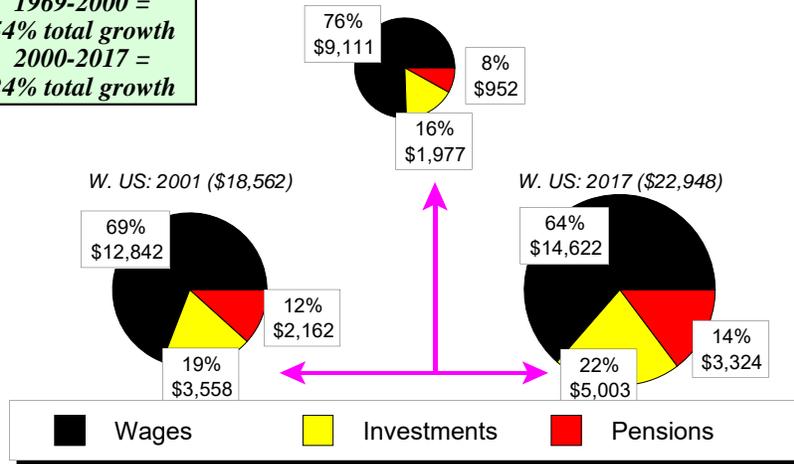
Schechter's Maxim III: Economies change faster than perceptions

Western US States: Per Capita Income

Income, by Source (constant \$): 1969, 2001, 2017

W. US: 1969 (\$12,040)

1969-2001 =
54% total growth
2001-2017 =
24% total growth



Let's Talk About Change (cont.)

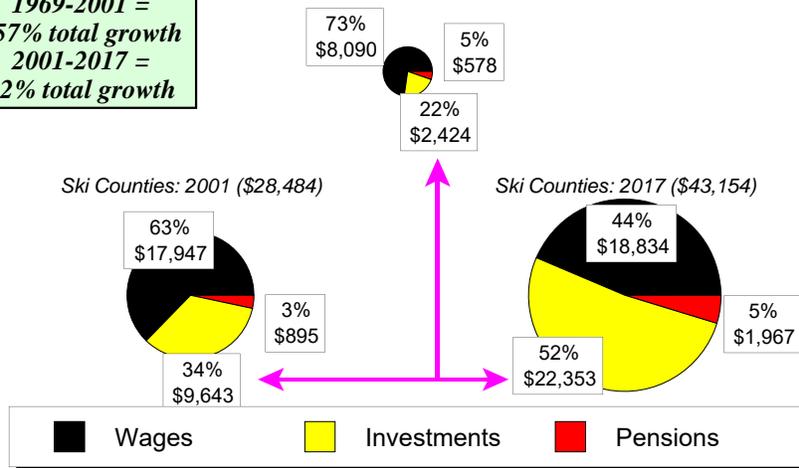
Schechter's Maxim III: Economies change faster than perceptions

8 Rockies Ski Counties: Per Capita Income

Income, by Source (constant \$): 1969, 2001, 2017

Ski Counties: 1969 (\$11,092)

1969-2001 =
157% total growth
2001-2017 =
52% total growth

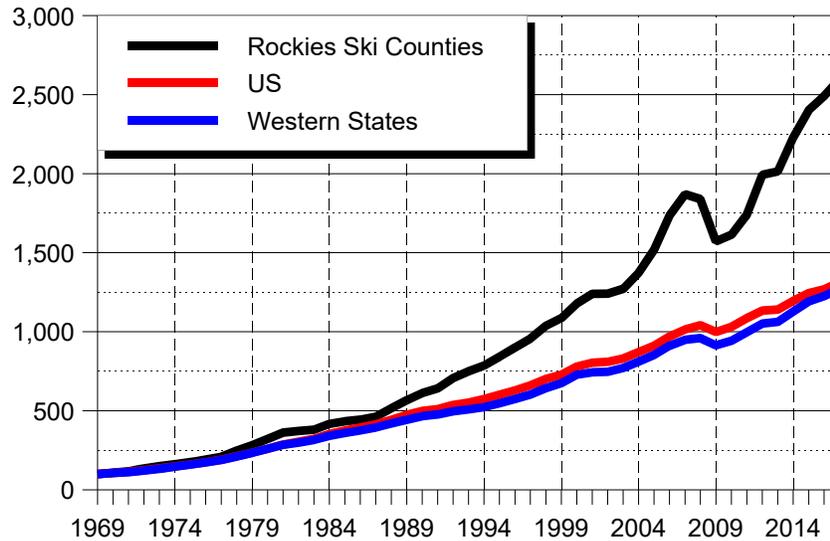


Big Changes Started Around 1990

Before then, income growth in all three areas was similar

US, Western US, Rockies Ski Counties: 1969-2017

Relative Growth of Per Capita Total Income (1969=100)

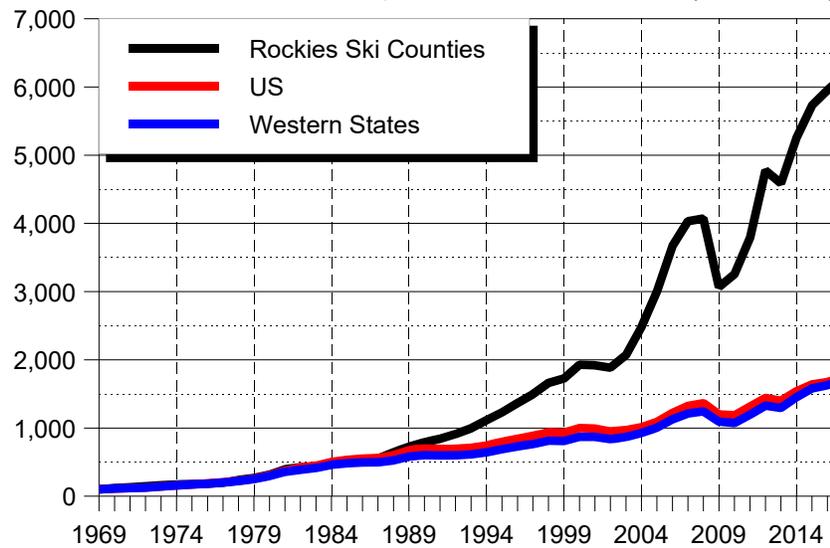


3 Mini-Eras of Investment Income Growth

1990s, 2003-2008, 2010 to today

US, Western US, Rockies Ski Counties: 1969-2017

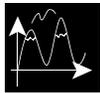
Relative Growth of Per Capita Investment Income (1969=100)



Communities Change, Too

Not just their economies, but their mindsets

- Our towns and counties have evolved:
 - *From the original ag./forestry/mining outposts...to resorts...to communities*
 - *The resort period lasted about one generation*
- Most people live in our towns because they want to, not because they have to
 - *Hence the importance of investment income – it goes where it wants to go, not where it has to be*
- The passion they have for where they live makes our residents care about things other than the economy.
 - *Yet the tools we have for assessing community well-being are almost exclusively economic*



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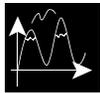
Exercise A: Expectations and Values

- Take 5 minutes and answer two questions:
 - *What does your community care about?*
 - *What do you measure?*



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Part III: Government, Measurements, and the Spectrum of Economic Activities



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The Spectrum of Economic Activities

Our mechanisms for addressing humans' needs and wants



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The Spectrum of Economic Activities

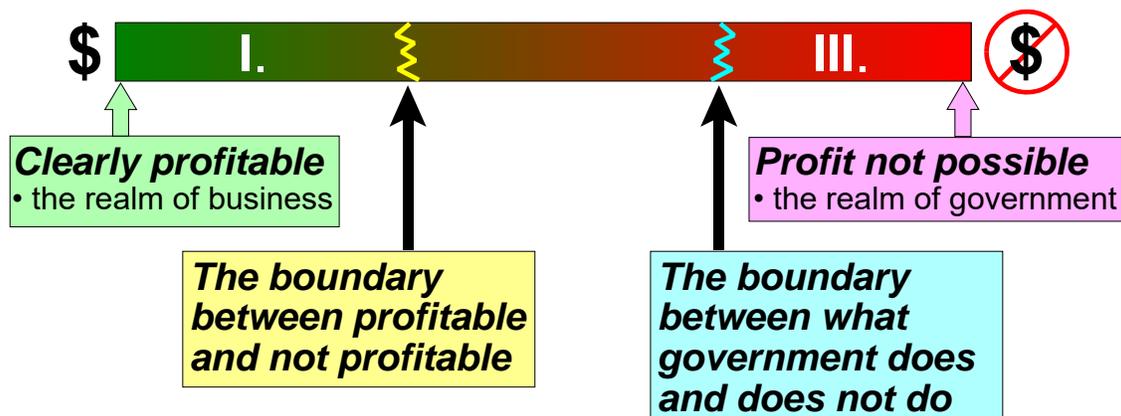
Our mechanisms for addressing humans' needs and wants



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The Spectrum of Economic Activities

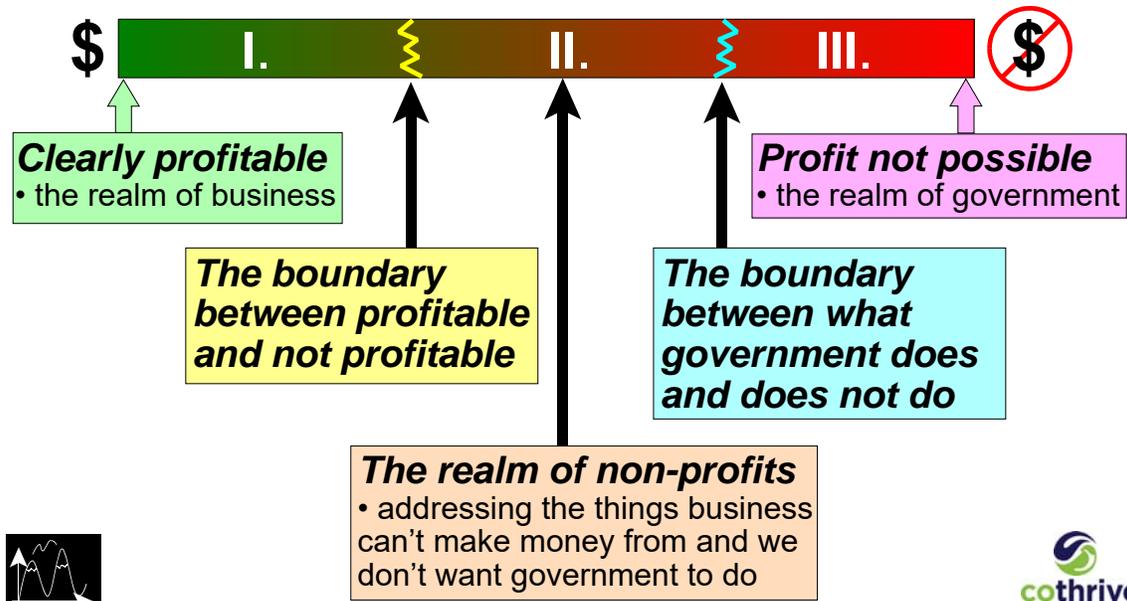
Our mechanisms for addressing humans' needs and wants



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The Spectrum of Economic Activities

Our mechanisms for addressing humans' needs and wants



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The Spectrum of Economic Activities

The boundaries move due to innovation, philosophy



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The Basic Point

*Under this construct, only one measurement matters: Profit.
More precisely, financial profit.*

- Only one question matters: Can a given good or service be provided profitably?
 - ▶ *If “yes,” then the private sector will provide it.*
 - ▶ *If “no,” then government may provide it (depending upon how that society views government’s role).*
- If business can’t and government doesn’t, then responsibility for providing that product either falls to non-profits, or it falls between the cracks.



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Observation I

Business is transaction-oriented

- In business, if an activity makes money, it is successful. If it doesn't; it's not.
- Finance is particularly transaction-oriented, and finance is the source of much of the new wealth moving into places like our communities.
 - ▶ *Hence the importance of the HUGE rise in investment income, for money earned that way can live anywhere with increasing ease*
 - ▶ *Reminder: in the 8 ski counties, investment income accounted for 34% of total income in 2001; 52% in 2017*



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Observation II

In contrast, government & non-profits are not transaction- oriented, but process-oriented

- Non-profits and government exist because they are how we provide goods and services that cannot be provided for a profit; i.e., the products business cannot profitably provide.
- By extension, when we talk about “running government like a business,” we’re setting up governments and non-profits to fail. In two ways:
 - *Metrics*
 - *Perception*



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Observation III

Why does the system judge govt./non-profits as failures?

- Because, by definition, if we run something like a business, the fundamental reason we run it is to make money. From that flows all our tools and metrics.
- We run a government or non-profit, though, because it provides a good or service that we know **can't** make money. Hence we need a different set of tools and metrics.
- Before developing those tools and metrics, though, we first need to develop a different perspective



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Observation III (cont.)

Critical, critical caveat

- This is not to say that non-profits and governments should not be run efficiently – clearly they should.
- It is to say, however, that because non-profits and government provide goods and services which are, by definition, not capable of producing a profit, we must evaluate them using different tools and metrics.



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Observation IV

The genius of the tool that is financial profit

- Financial profit is:
 - ***Easy to understand*** (*can you sell your good or service for more than it costs to make?*); and
 - ***Easy to use*** (*did your revenue exceed your expenses?*)
- Because of this, it is **ubiquitiously used**
- We need a measurement of non-governmental success that shares these qualities



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Observation V

Underlying the different tools and metrics we use for judging non-business activities must be a different philosophy

- Which begs the question: If a non-profit or government can't successfully be judged by whether it makes money, then how do we judge it?
- Answer: *Currently, there is no answer.*
 - *We don't know. We default to thinking about non-profits and government like a business because it's our only commonly-shared mindset for judging the success of an enterprise*
- Put another way, financial profit is our lowest-common denominator. Because nature abhors a vacuum, we use it to evaluate all we do, even if it's the wrong tool for the job
 - *When the only tool you have is a hammer...*



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Measuring Unprofitable Success

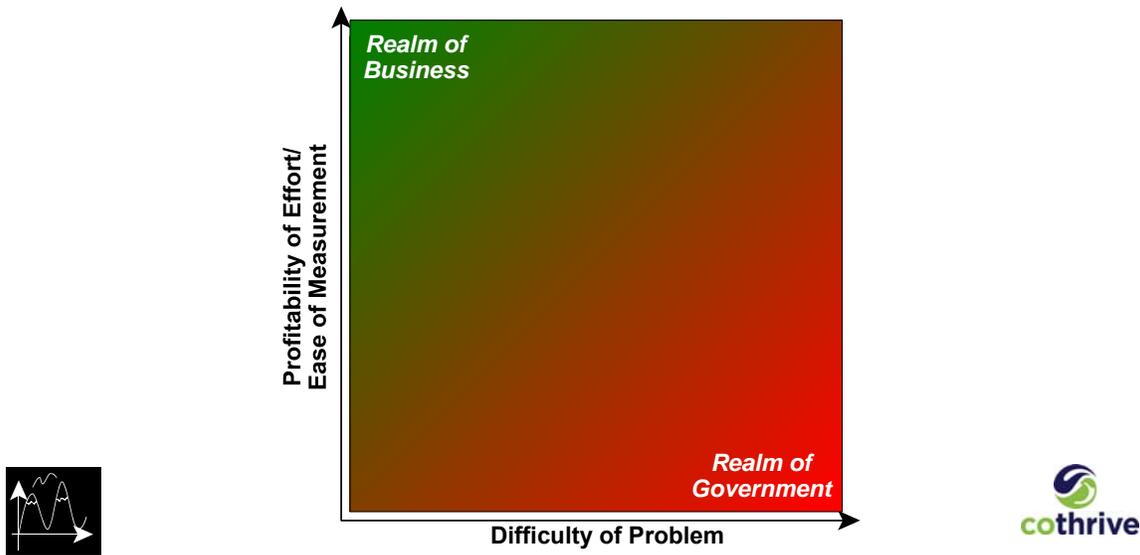
Can we develop a definition of "community profit" (as opposed to financial profit?)

- If non-profits and government strive for a different outcome than business – i.e., a different outcome than profit – what might "community profit" be? How might it be measured?
 - *Conceptually, this different outcome is far more analagous to Goodwill on a Balance Sheet than Profit on an Income Statement*
 - *What line items do we include on a "Community P&L"?*
 - *How do we measure "Community ROI" (v. financial ROI)?*



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Absent a Clear Tool for Measuring Community Profit, We'll Continue to Face Two Struggles: Difficulty of Problem and Disagreement of Success



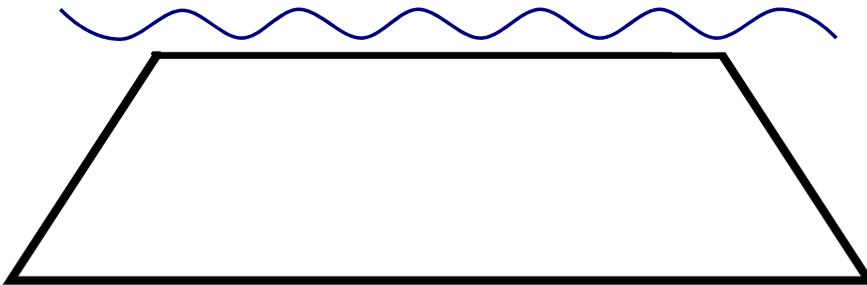
Part IV: What Government Does

The Iceberg Model of local government



The Iceberg Model: Potholes

The basic services provided by local government



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The Iceberg Model: Potholes

The basic services provided by local government



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The Iceberg Model: Programs

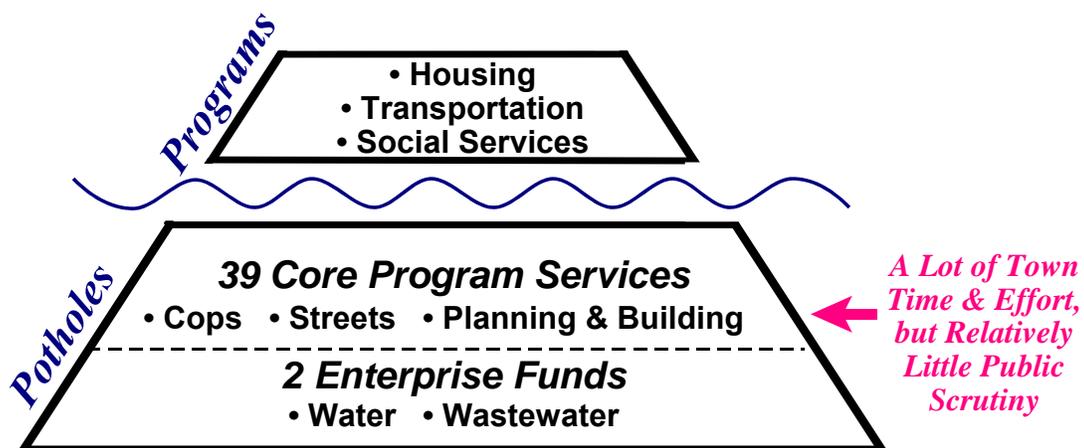
How we address our “special challenges”

- Every special place to live on the planet is facing the same suite of “special” challenges:
 - *Affordable housing*
 - *Transportation & related infrastructure*
 - *Issues related to growing income inequality*
- None of us have figured them out. **None**

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The Iceberg Model: Programs

How we address our “special challenges”



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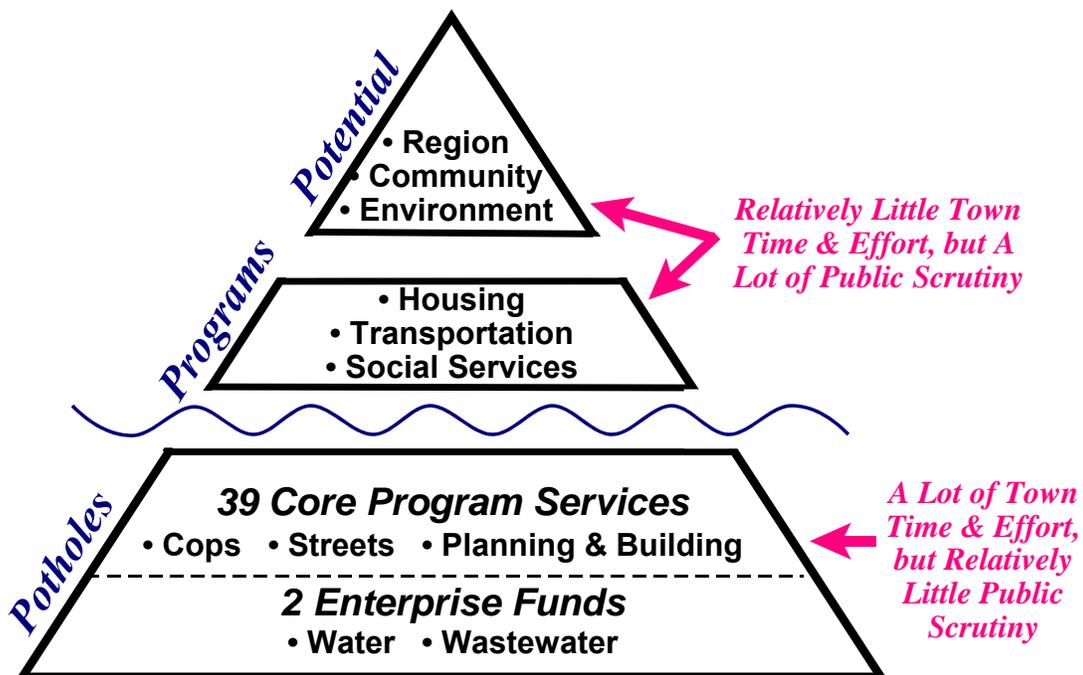
The Iceberg Model: Potential

The “unique challenges” facing mountain towns

- Mountain Towns also face “unique challenges” related to having our economies and cultures so closely aligned with our surrounding environments
 - *Ultimately, our communities can be no healthier than the ecosystems in which they lie*
- The unique challenge for mountain towns is preserving, protecting, and restoring the health of our ecosystems while simultaneously maintaining our economic health
 - *There is no roadmap/blueprint/recipe for this. **None***

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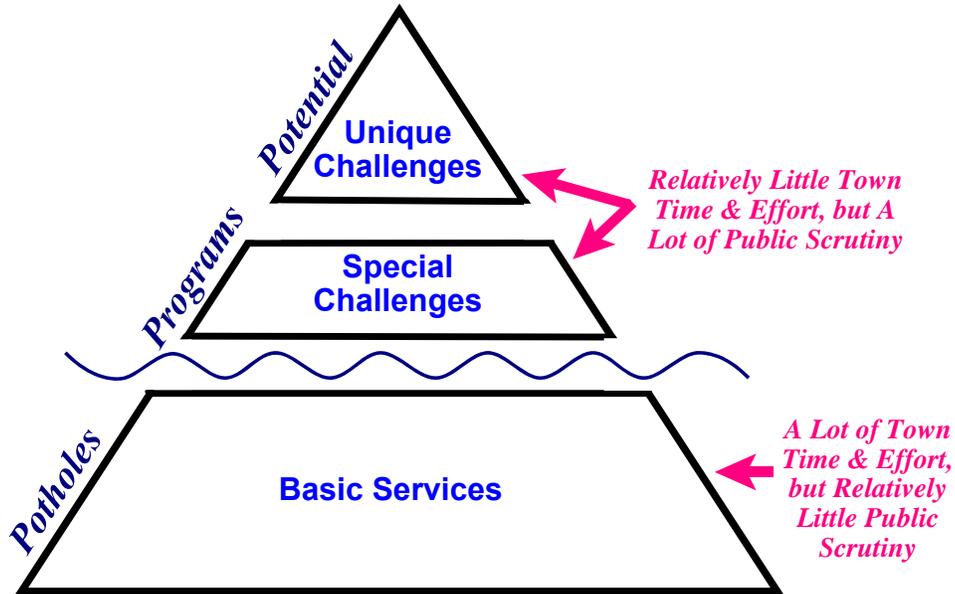
The Iceberg Model: Potential



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Exercise B: Build Your Own Iceberg

S=R-E: the expectations lie in the portion above the surface. What does your community expect from you?



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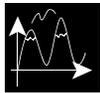
Part V: Decision-Making & Generational Misalignment



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Why Is It So Hard to Address Programs and Potential?

Part I: Funding constraints and misalignment

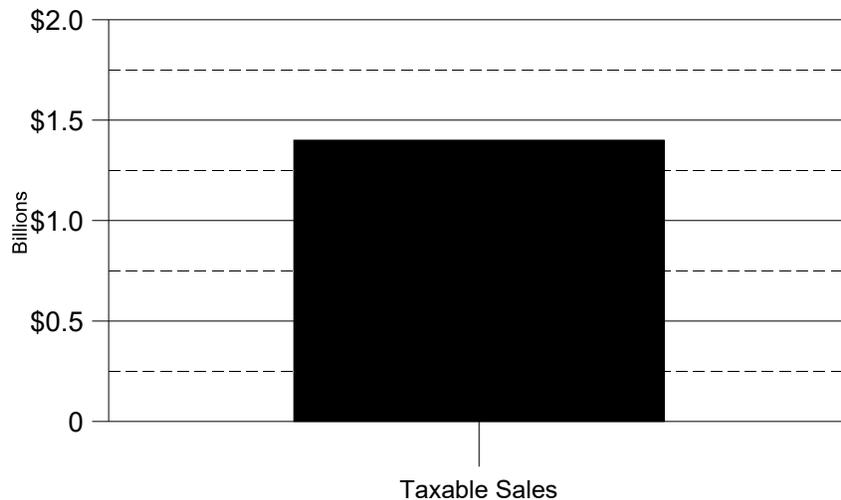


WY: No Income Tax; Low Prop. Taxes

Local government is super-reliant on sales tax

Teton County, WY: 2017

Economic Activity, by Type

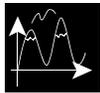
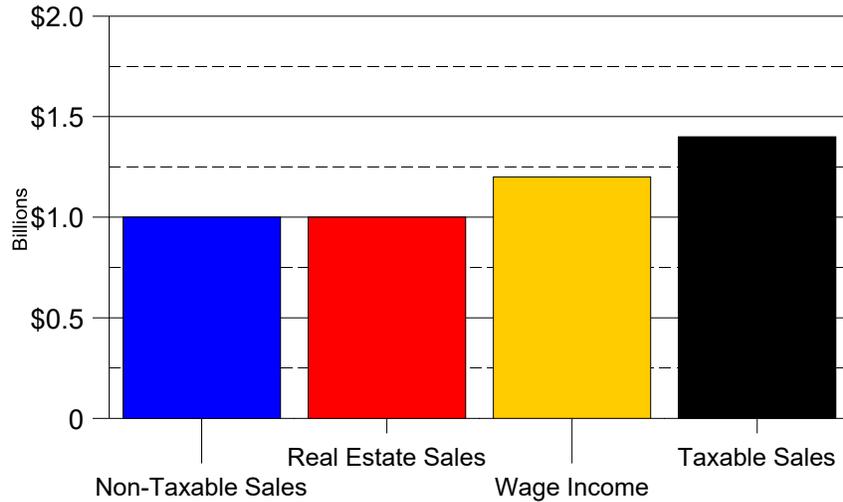


But Taxable Sales Aren't the Economy

We don't tax services, real estate, wages

Teton County, WY: 2017

Economic Activity, by Type

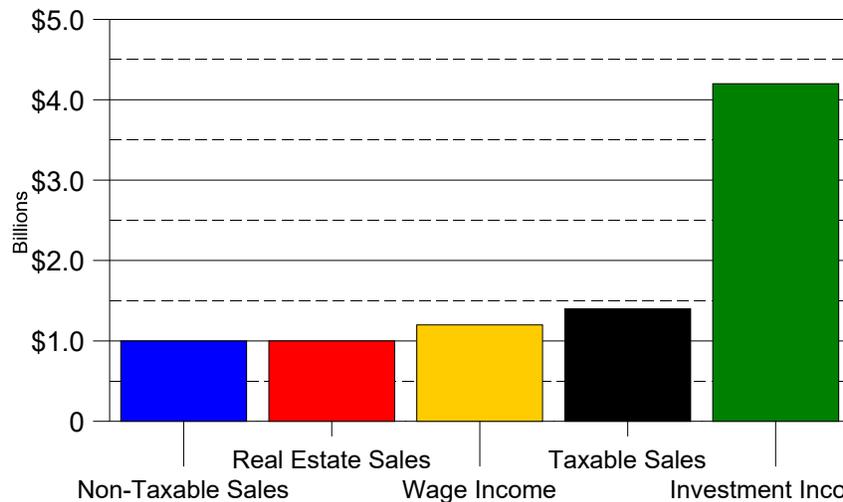


And Then There's Investment Income

In 2017, investment income equalled all else combined

Teton County, WY: 2017

Economic Activity, by Type

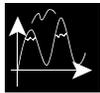
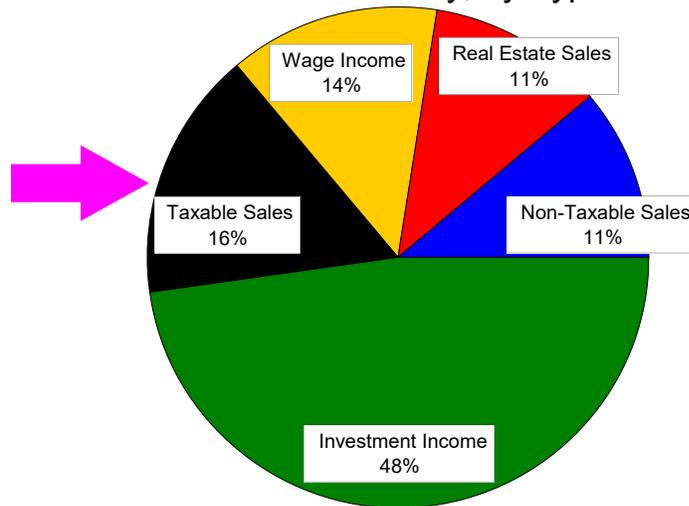


WY's Govt. Funding Model Dates to 1972

Our economies date to 2019, a 47 year disconnect...

Teton County, WY: 2017

Economic Activity, by Type



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Why Is It So Hard to Address Programs and Potential?

Part II: Besides funding constraints, there's also generational misalignment

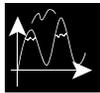


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Generational Misalignment

Q: How long is a generation?

- The three pillars of sustainability:
 - *Financial capital*
 - *Social capital*
 - *Environmental capital*



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Generational Misalignment (cont.)

Financial capital

- A generation = <30 years
 - *As short as a few milliseconds*
- Let's say 5 years
 - *Time horizon of a real estate deal*

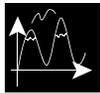
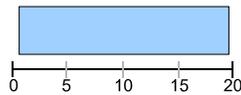


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Generational Misalignment (cont.)

Human capital

- A generation = ~26 years
 - *The age of a US mother when she firsts give birth*
- A more practical definition: when a kid leaves home
 - *Let's say 20 years*

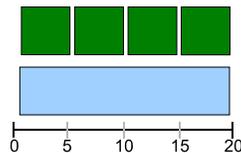


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Generational Misalignment (cont.)

Financial v. human capital

- But that's four financial generations

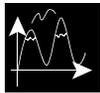
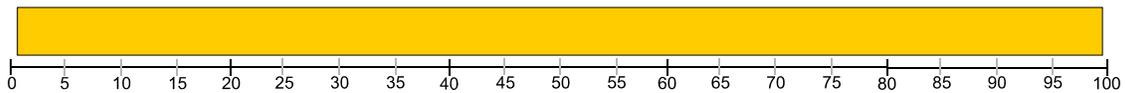


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Generational Misalignment (cont.)

Environmental capital

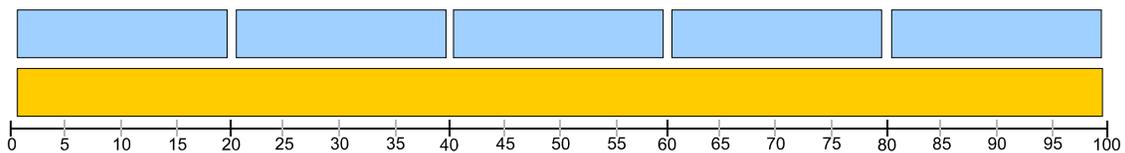
- Generation times vary wildly
 - *Lifespan of mayfly = 24 hours*
 - *Lifespan of bristlecone pine >5,000 years*
- A more practical definition: the Tahoe Basin pine forest
 - *Let's say 100 years*



Generational Misalignment (cont.)

Human v. environmental capital

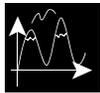
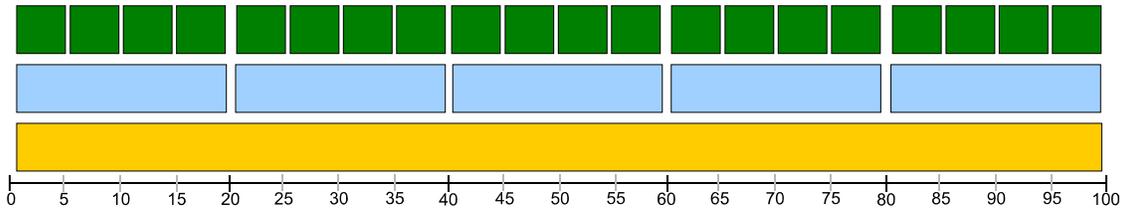
- But that's five human generations



Generational Misalignment (cont.)

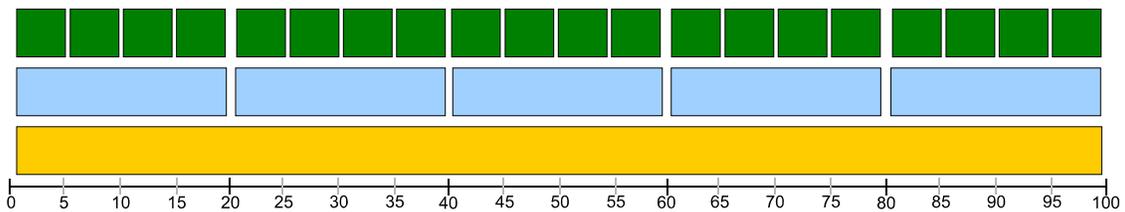
Financial v. human v. environmental capital

- And twenty financial generations



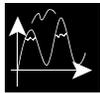
Generational Misalignment (cont.)

Human nature is to value things in the moment, and discount the value of things in the future



Generational Misalignment (cont.)

Now let's add one final element: politics



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Generational Misalignment (cont.)

What is a political generation?

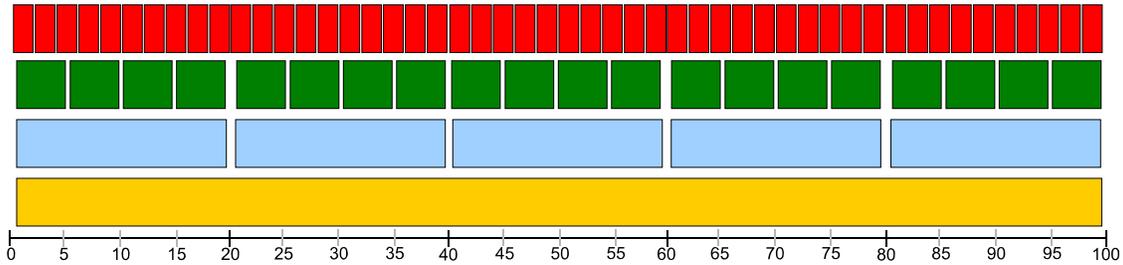
- In the U.S., most terms of office are four years.
- Since elections occur every two, let's call a political generation two years



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Generational Misalignment (cont.)

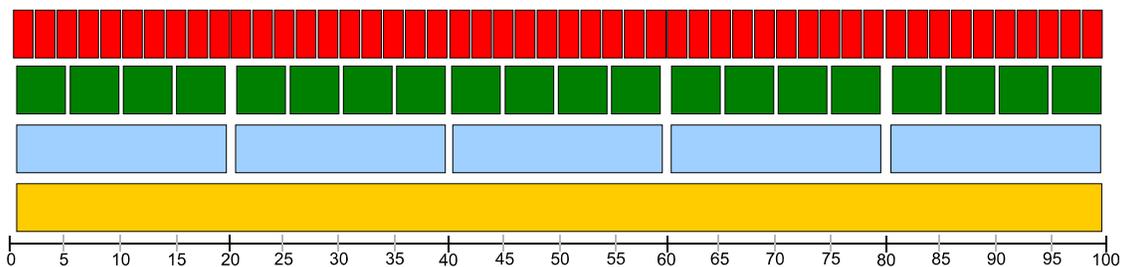
Do the math: One environmental generation spans five human generations, twenty economic generations, and fifty – count ‘em fifty – political generations



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Generational Misalignment (cont.)

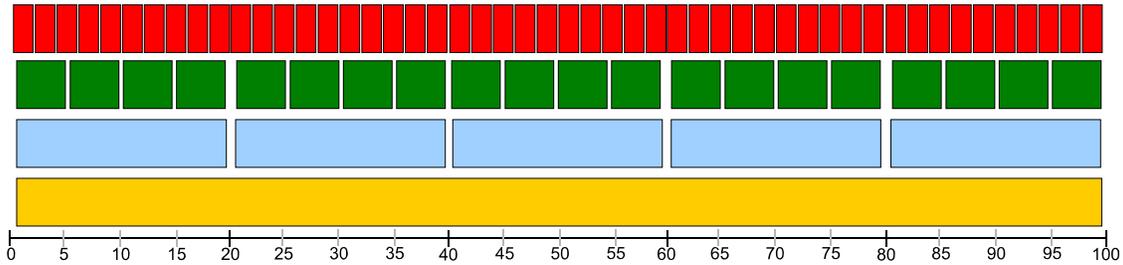
Right now, so much of our approach to environmental protection and ecosystem conservation relies on the political system. Ditto other “program” issues such as housing, transportation, and income inequality



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Generational Misalignment (cont.)

But it's hard to be an elected official and decide in favor of something that won't be feeling the effects of your decision for another five (human) or twenty (economic) or fifty (political) generations...



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Part VI: Tying It All Together

Eight thoughts about why local government is so bloody difficult, and how we might start to take a different approach

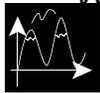


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Observation I: Our Communities Have Changed. Rapidly

*They have evolved from resorts to communities.
Deeply impassioned communities*

- Technology has changed our economies in one generation
- Our economies have changed faster than our perceptions
- Our economies have also changed faster than the funding mechanisms we have to address the challenges facing our communities
- Dealing with externalities...
 - *Because no one else can do it, our political processes are asked to address the massive and rapidly-occurring changes in our communities. Yet the tools we have were designed for a very different, slower-moving world*



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Observation II: Not So Our Tools for Dealing w/ Change

How does your community today compare with what it was a generation ago? How about your governance systems?

- Because no one else can do it, our political processes are asked to address the massive and rapidly-occurring changes in our communities.
 - *Yet the tools we have were designed for a very different, slower-moving world*
- This is especially apparent when it comes to finances
 - *Our economies have changed faster than the funding mechanisms we have to address the challenges facing our communities*

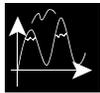


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Observation III: Special Challenges; Unique Challenges

This disconnect is most apparent in the two-fer of challenges we're facing, ones no one has solved

- Special challenges
 - *Affordable/workforce housing*
 - *Transportation*
 - *Issues related to growing income inequality*
 - Especially acute in mountain towns, which feature both high amounts of investment income and a high percentage of low-paying tourism jobs
- Unique challenges
 - *Preserving and/or regenerating the ecosystem's health, upon which our economies and characters depend*
 - Ultimately, our communities can be no healthier than the ecosystems in which they lie



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Observation IV: How Did We/Do We Define Success?

Does resort success = community success?

- Hypothesis: We focus upon financial profit because it's the lowest common denominator we can all agree on
 - *Even if it doesn't appropriately measure what we care about*
- There is no equivalent definition of success for a community, much less tools to measure that success
- The great disconnect
 - *Between the qualities of our communities people care about – the part of the iceberg above the water, the things they look to government to address – and the things local government can act upon, or even measure*

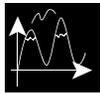


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Observation V: Hard to Plan When You're Busy Reacting

*The 3 questions of strategic planning: Where are you?
Where do you want to be? How will you get there?*

- These are not easy questions, especially if we don't have tools for assessing our status/progress
- It makes it even tougher to answer these questions in an impassioned environment, such as we all enjoy in our communities
 - *You and I both love our community, but where I in my impassioned state think we should go may be very different from the place where you in your impassioned state think we should go*



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Observation VI: Our Weaknesses. Our Strengths

So much local gov't can't control, but we have unique assets

- Two underutilized tools possessed by no one else in our communities
 - *The bully pulpit*
 - *The ability to convene disparate parties*

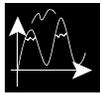


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Observation VII: 21st Century Mountain Towns

*20th century towns replaced natural resources with resorts;
21st century towns have transformed into communities*

- 20th century: resorts (and before that ag and extraction)
 - *The environment's primary importance was economic*
- 21st century: communities
 - *The environment's primary importance is human potential*
- Different systems, tools, and metrics required
 - *Systems that encourage co-thriving*
 - *Decision-making for human and environmental capital*
 - *Measurements of Community ROI*



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Observation VIII: The Hardest & Most Important Job Going

If mountain towns get it right, we can be models for the world

- Thank you for time and attention
- Thank you for all you do



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Exercise C: What Are You Asked to Do? What Do You Have the Ability to Do?

- Building on the past two exercises, take 5-10 minutes to answer four questions:
 - ▶ *What qualities hallmark the 20th century version of your community? The 21st century version?*
 - ▶ *What issues are your community asking you to address?*
 - ▶ *What tools do you have to address them?*
 - ▶ *What can you do well? Where are you hamstrung?*
 - How might you use your bully pulpit? Your ability to convene?
 - Are there other powers/tools you have you are underutilizing?

