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WSJ: With Palo Alto on Board, OpenGov Aims for Transparency in Dozens More City Governments.

When the managers of the City of Palo Alto cast around last year for technology that could power their initiative to open up the municipal budget to the public, the options were meager.

To implement its vision, Palo Alto managers met with founders of a fledgling startup, now called OpenGov, that offered to develop a new system from scratch that would gather all of the city's financial data and organize it into visually appealing and clear graphics, giving the viewer, whether a citizen or a city employee, insight into spending trends or budget overruns.

"If you are transparent and accountable, you build trust," said Jonathan Reichental, chief information officer for the city, about the reasons Palo Alto chose to open up its books. It also had to comply with a state law mandating a 10-day response from local governments to citizen requests for information. There are "a lot of people involved, and a lot of cost involved" in compliance, said Mr. Reichental.

Open data, he said, "cuts out the middleman" and allows interested parties to find what they are looking for online on their own.

The founders of OpenGov are well familiar with the problems and opportunities of using technology for government transparency through their work at California Common Sense, a nonprofit they had founded and run. The startup set to work on the project for the City of Palo Alto, for free, in exchange for collaboration with the city. It also worked three other beta partners in California-Saratoga, Salinas and Monterey.

The resulting product led to awards for the city managers, and is now the basis of a software-as-a-service offering that OpenGov is rolling out to municipalities across the country, including South Orange, N.J., as well as Palo Alto neighbor Mountain View.

In the meantime, OpenGov raised \$7 million from investors Formation 8, Founders Fund, Valiant Capital, Thrive Capital, and angels, as VentureWire reported recently.

"Local governments spend more money than the federal government on [information technology]," said Zachary Bookman, chief executive of OpenGov. "It's one of the largest software markets in the world."

Using the technology, citizens can find information on firefighters' salaries and compare them to those of the police force, for example, in a few clicks of the button, instead of having to rummage through cumbersome PDF files, the standard for city budget information.

This year marked the first time when all 50 states post their checkbooks online, up from 32 in 2009, according to research by Frontier Group and U.S. PIRG Education Fund. But "only a small fraction" of municipalities currently have this level of information about their spending and budgets online, said Phineas Baxandall, of U.S. PIRG, or U.S. Public Interest Research Group, who co-wrote recent

reports on open data in local governments. Municipal open-data initiatives are accelerating.

Such efforts, found Benjamin Davis, of think tank Frontier Group, are saving cities and states money, instances of which he has documented in his research. For example, “if other companies can see the payments [a city makes] to other companies, it creates a more competitive bidding atmosphere,” said Mr. Davis. There’s also a greater push from bipartisan public interest groups, he said. Finally, “we now live in this age when there’s mobile banking, we have so much information at the click of the mouse, it only makes sense that governments should follow suit.”

Even as there’s a greater willingness, the market is still thorny. It might be hard to identify the right person in the government who is most receptive to the idea of opening up the books, as the interest stems from very different departments in each instance. “Sometimes it’s the legislative, sometimes it’s executive, sometimes it could be a [result of a] competition between two independently elected executives,” said Mr. Baxandall, about the sources of open-records initiative in the local governments he has researched.

Most importantly, not every bureaucrat is ready to open up the kimono in the philosophical sense. Giving citizens “unfettered direct access feels a little uncomfortable [to some officials],” said Mr. Reichental of the City of Palo Alto. “Change is uncomfortable. I think that, more than anything, is what holds people back.” And sometimes legislation might intervene rather than encourage opening up the records. The current budget bill in California, in fact, is making compliance with its open records act optional.

OpenGov, for its part, sees a large market, partly because its product is cheap, and partly because it’s early days in open government and the benefits will become more apparent and accounted for.

Down the line, said Mr. Bookman, the company hopes to offer a capability for municipalities to compare their spending and budgets to other similarly sized cities around the country.

“Technology won’t replace good decision making and good planning,” said Mr. Bookman, but it could serve as a tool.