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Cynthia H. Biedenkopf, City Clerk
Room B212
10 East Church Street
Bethlehem, PA 18018

To the Members of the Bethlehem City Council:

I am interested in filling the vacancy of City Controller of the City of Bethlehem. This cover letter includes my resume in the form of a description of my background. I hope the letter is not too long; my goal has been to indicate the relevance of my experience and to give some sense of who I am and how I would therefore approach the job of controller. I have also tried to make it a little more interesting than the usual resume.

I should say straight off that I would not intend to be a candidate for controller in the next election. This is appropriate to the extent that the voters of Bethlehem should have a completely free choice, and not be influenced by an incumbency created by the city council.

I should also address immediately the question of whether, as an economist, I am a "competent accountant", as required by the statute. My dictionary defines an accountant as a "person who examines or manages business accounts". While I have examined business accounts on numerous occasions, my experience is greater with government accounts, which is of course more relevant to the job of a city controller. I will emphasize below some of my experience in accounting.

I am a Bethlehem native, born and raised here. I graduated from Liberty High School in 1955 as co-valedictorian. Recently my class celebrated its 50th reunion, for which I coordinated about 125 autobiographies by my classmates, resulting in a 75-page single-spaced document that now resides in the Bethlehem Room of the library.

I graduated from Princeton University in 1959 with a degree in economics. In my senior year I had a research assistantship doing a literature search on the various forms of depreciation in accounting, which have not changed significantly since then.

I went on to the London School of Economics on an Earhart Fellowship, which was for one year. Since LSE required two years for any sort of degree, I next went to the Massachusetts Institute of Technology on a Woodrow Wilson Fellowship, which lasted two years. The third year I had a half-time job operating an IBM 1620 computer for the Department of Economics and the School of Industrial Management.

My primary field at MIT was econometrics, which is the application of statistics to economics. MIT had no masters degree in economics. While I passed the written examinations for a PhD, I did not write a doctoral thesis, making me what is humorously known as an AbD (All but Dissertation).

I then accepted a temporary appointment to the staff of the Board of Governors of the Federal Reserve System. My principal accomplishment there was to write a computer program on the characteristics of consumer loans, a program that was still in use many years later. The approach that I used in that program predated the credit scoring that we are all familiar with today.

At this point in my life I felt I needed a break from computers, statistics, economics, and academics in general. So I drove a taxicab for the better part of a year in Washington. Driving a taxicab was a very broadening experience, perhaps the urban equivalent of shipping around the world on a freighter. It made me a better person; I even felt for some reason that it made me a better economist.

A short stint at the Department of the Treasury was followed by a series of small consulting firms that had federal government research contracts. These contracts were usually quite large relative to the sizes of the firms, with the result that one was either working weekends or looking for the next firm with a contract. (I once worked all night for two nights out of three, with the result that my productivity ultimately became negative. This was an effort never to be repeated.)

While somewhat uncertain, this period of employment was professionally broadening in that I worked on many different subjects using different techniques of quantitative and qualitative analysis. There were two interruptions to this period. The first was from 1970 to 1972 and was called the "aerospace slowdown" by the media. Whatever the cause, it had severe effects on the Washington consulting community. Washington is relatively unaffected by the business cycle, but is very affected by what might be called political cycles. So I drove a cab again until things picked up. Perhaps my most interesting passenger was Gregory Peck, who said he would very much like to do another film like *To Kill a Mockingbird*.

The second interruption during this period was being a consultant (my official title) to the Office of Federal Procurement Policy of the Office of Management and Budget. There I did a literature survey on the subject of small firms and federal research and development. The Carter Administration sat on the survey, but it was publicly released (three times!) by the House Small Business Committee. This report was cited in the debate on the expansion of Small Business Innovation Research (SBIR) from the National Science Foundation to ten other federal agencies, which occurred in the summer of 1982.

This effort eventually led to my appointment to the Office of Advocacy of the U.S. Small Business Administration in 1980, during the waning days of the Carter Administration. This office, while part of the SBA budget, reports directly to Congress and was established in 1976. The Chief Counsel for Advocacy, a presidential appointee, can hire outside the civil service system using 13-month appointments. I was so hired and automatically renewed 13 times, but could still be terminated instantly, which was ultimately brought about by Newt Gingrich and Tom DeLay.

At SBA I was immediately involved in the debates leading up to the passage of the Small Business Innovation Research Act of 1982, a law that essentially sets aside some federal research and development contracts for small business. I was able to quash an academic challenge to passage of the Act, a challenge that involved an inappropriate comparison of budget data and contracts data, in other words, a spurious accounting comparison of apples and oranges. After passage of the Act, I was lent part-time to the new SBA office monitoring compliance with the Act. There I developed an accounting system to determine which departments and agencies should be in the program, and to what extent. Part of the problem was that the SBIR program is a percentage of a base that is not known until the end of the fiscal year. Using federal budget data collected by the U.S. National Science Foundation, I developed a system of debits and credits still in use today, in a program that is now well over a billion dollars annually. The first step was to interpret the statutory phrase "extramural R&D budget" for the base as extramural R&D obligations, which allowed us to use NSF data. Since obligations are not exactly determined until the end of the fiscal year, the precise amount of SBIR funding required was not known until the end of the year, when it was too late to accomplish any more SBIR activity in that year. I therefore set up a system of surpluses and deficits to be carried into the next fiscal year; this system is still in use.

But this was not my primary responsibility in the Office of Advocacy, which was to conduct and supervise research on the small business role in innovation, invention, patents, and technology in general. You might recall a recent American Express TV commercial that said that small business is responsible for 55 percent of innovation in America. This is a number that came out of one of our studies. Our office wrote the annual *State of Small Business: A Report of the President*, which was also translated every year by a Japanese professor. Twice this report had a chapter on innovation: I contributed to the earlier chapter and was the sole author of the later chapter.

A lesser but still significant responsibility at SBA was conducting and supervising research on the small business share of federal contracts. Our principal finding was that small firms received about two-thirds of their fair share of federal government procurement, when the mix of goods and services procured by the government was taken into account. I wrote the first and a later procurement appendix for *The State of Small Business: A Report of the President*, and contributed to five others. I also served on OMB's Federal Procurement Data System Policy Advisory Board, and on its committee that revised the form that is used to report all contract actions over $25,000 to the Federal Procurement Data Center.

My writing at SBA included twelve shorter papers and eleven longer papers. Seven of the shorter pieces were contributions to or joint authorship of chapters or appendices in *The President's Report*, two others were published as comments in the *Journal of Small Business Economics*, of which I was an editor for five years. Three of the longer pieces were chapters or appendices in the *President's Report*, three were presented at small business conferences and economics meetings, and one was presented by the U.S. Delegation at a meeting of the Organisation for Economic Co-operation and Development Industry Subcommittee on Small and Medium Sized Enterprises in Cordoba, Spain and was published by the OECD as part of the proceedings. One longer piece was a background paper for the 1986 White House Conference on Small Business and was described by a former Chief Counsel of Advocacy as the most important document to come out of that conference. One shorter and one longer document were published in Congressional hearings. I made oral presentations to the Eastern Economics Association, the Interagency Technology Working Group, and the Antitrust Division of the Department of Justice, among others. I am listed in *Who's Who in America*.

Each economist in Advocacy also had an administrative responsibility; mine was to reconstitute and administer the evaluation of and contract awards stemming from unsolicited proposals to do research about small business. SBA's Office of Procurement and Grants Management referred other persons in the agency to my narrative supporting contract awards without competition, as an example of how this narrative should be done. I never had an award turned down by them, and never had a bid protest. I also evaluated research proposals for other SBA offices as well as the National Science Foundation. In addition, I served on advisory committees for the National Science Foundation and the Office of Technology Assessment.

In 1994 the Republicans took control of Congress with their Contract on America, I mean their Contract with America. One new congressman, operating with gross misinformation about the Office of Advocacy, got permission from Newt Gingrich to zero out our office, which he succeeded in doing in the Appropriations Committee. The chair of the House Small Business Committee (also a Republican) challenged this on the House floor, but was hesitant about going up against Tom DeLay, and so asked for only a fifty percent restoration, according to what her chief of staff told me. She should have asked for more, because she got 335 votes out of 435. As all of the other economists in our office were civil servants with job protection, I had to be expendable, which I was in 1995.

At the same time, anything to do with small business and/or research on technology was being cut or abolished. (Research on federal contracts is still a nascent field.) The Congressional Office of Technology Assessment, which did some excellent work, was abolished. The Advanced Technology Program in the Department of Commerce was almost zeroed out. The Chief Counsel for Advocacy let me use my office for another six months while I searched for work. I encountered a curious lack of interest in a 58-year-old economist applying for jobs in other fields.

While I did do some consulting on studies of the bundling of government contracts and the use of credit cards by government employees, eventually I did some more cab driving to make ends meet, this time with a radio. (I was only held up once.) I also continued my civic activity, which had begun in 1968. I served as president of my neighborhood citizens association for a total of 12 years, and was elected at the polls to serve an unpaid four years on our Advisory Neighborhood Commission, two years as secretary. I was on the executive boards of both citywide federations of neighborhood associations, and a member of the Committee of 100 on the Federal City, a planning group with about 200 members founded in the 1920s by FDR's cousin.

In 1999, I retired from the federal government. I had been thinking for some years about moving back to Bethlehem, so I decided in 2003 to leave the congestion behind and return to Bethlehem to assist my mother (who died in 2010 at the age of 96), and perhaps to contribute in some way to the city that nurtured me.

You have some idea of what I have been up to since then. I have attended 200 of the 212 regular council meetings, many of the special meetings, numerous council committee meetings, and many of the meetings of the Zoning Hearing Board, some of the meetings of the Planning Commission, and a few meetings of the Bethlehem Authority and the Parking Authority. I have spoken many times on various issues, often with written statements.

I have been on the steering committees of Citizens for a Better Bethlehem and the Bill of Rights Defense Committee. I founded the Bethlehem Citizens Association, which studiously avoided the casino issue, which is now a virtual organization of over 150 members, and which will survive me if I become controller. Dean Donaher and I were co-chairs of the Bethlehem Area School District Task Force on Community Service, which met ten times and produced a report that was accepted and implemented with remarkably little discussion on such a contentious issue. I was a member of the Mayor's Task Force on the Comprehensive Plan, Zoning Ordinance, and Zoning Map, which met almost monthly over a period of two years. I am currently on the boards of the Bethlehem Area Public Library and the South Bethlehem Historical Society. I am a member of the Sun Inn Preservation Association and an associate member of the Bethlehem Historic District Association.

I would continue my membership in the Torch Club, whose only activities are to eat dinner and listen to each other's papers. I gave a talk there five years ago on *The Top Ten Pitfalls of Statistics in the Media: An Anecdotal and Sometimes Humorous Guide*, which may become a Town Hall Lecture.

All of this activity should indicate the level of my commitment to the city and the depth of the knowledge I have acquired on many of the activities and functions of the city government. I intend this to be my only job and to put in more hours than required. My approach will be completely apolitical, in the sense that my priorities will be solely dictated by potential savings to the city and will not be affected by any inclination to embarrass any particular individual or any particular department. In fact, I have already developed good relationships with many of the senior officials of the city government. I feel that all of us are united in an effort to give the taxpayers the greatest results for their taxes.

I have pointed out some of the many instances in which I have worked with accounting data. I also developed plans for financing airport improvements and for financing improvements in the Chicago rapid transit system. Some of you will recall the pension bond of seven years ago. I wrote an objective op-ed piece on this issue that was printed in *The Morning Call*, and was pleased that none of the people I asked had any idea from the column as to whether I favored the bond or not. But Maggie Szabo told me that had she read my column before the final vote, as the paper had said would happen, she would have voted against the bond instead of in favor. (It passed by a 4-3 vote.)

My experience with statistical analysis will also prove useful in uncovering trends and areas to be further investigated. Audits are sometimes done on a sampling basis, e.g. systematic sampling. Other sampling procedures are possible and may be sometimes desirable. I would want to look at important financial ratios and see where they are trending. To do this I might want to fit curves to the data, perhaps curves that had upper or lower limits, as appropriate.

My approach to the controller's staff would be "as you were". I would anticipate that the only changes would be some additional procedures. In addition to the statutory duties as described in Article XVII of the Third Class City Code, I can see at this point five possibly additional priorities for the Office of the Controller. First, I would like to tabulate the profit-making activities of local nonprofits, along with any mercantile taxes they are paying, and release the results. This could allay any concerns that there are about the competition between nonprofits and profit-making firms that pay real estate taxes in addition. Second, I would want to look at the possibility of putting together some useful data on overtime use in time for the next budget discussions. Third, I believe that statistical analyses will be able to uncover interesting and useful trends and possibly areas to be further studied. Fourth, I would like to bring the Office of the Controller more into the computer age. I could envision an interface (with appropriate firewalls) with the administration's system on numbers that would be common to both systems. Finally, I would like to explore moving the Office of the Controller beyond traditional audits to performance audits, which "...provide information to improve program operations, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. The term performance audit is used generically to include work classified by some audit organizations as program evaluations, program effectiveness and results audits, economy and efficiency audits, operational audits, and value-for-money audits." (U.S. General Accounting Office, *Government Auditing Standards* (2003) quoted in David Osborne and Peter Hutchinson, *The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis* (Basic Books, 2004) page 265). Again, this would not be an effort to criticize, but to assist in a common effort to promote effectiveness combined with efficiency.

When I would have something of sufficient interest, I would like to report it at a council meeting, perhaps often enough to warrant a regular agenda item "Report of the Controller" after the "Report of the Mayor".

When I returned to Bethlehem now almost nine years ago, I was not sure that an opportunity like this would occur to use my education and experience to make such a significant contribution to my hometown. But it has and I am grateful for it.

Sincerely,

William K. Scheirer