

## Chapter XXXVII

# The Little City That Could: The Case of San Carlos, California

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### ABSTRACT

*This case describes the case of a small California city, San Carlos, a continued early adopter in the e-government areas. The chapter asks the question, how can such a small city, with limited resources, consistently be on the cutting edge of new Web developments—and how have they maintained that edge over time? To answer that question, Moon and Norris' (2005) model of e-government adoption is expanded and the importance of various factors are proposed as possible explanations.*

San Carlos, California is a small city which has defied the odds in being, since the very beginning of the World Wide Web, a consistent innovator in its e-government practices. This case study examines the City and its government to explain how the jurisdiction could have developed the culture of innovation that it has and how our own agencies and jurisdictions could do the same. This case serves as a “critical case” (Przeworski and Teune, 1970) and thus is useful in developing further theory and theoretical models. For selection as a critical case, the extremes of crucial variables must be present, so that the full variation of important variables can be examined and discussed. In the case of San Carlos, as we shall

see, these variables are entrepreneurial leadership and location.

### BACKGROUND

San Carlos, California is a small city (5.38 square miles and a suburb of both San Francisco and San Jose) located in the heart of Silicon Valley close to Stanford University, northwest of San Jose and directly south of San Francisco. It has a council-manager form of government and is a general law city subject to California state law incorporated as a city in 1925. As of January 1, 2007, there were 28,265 residents (California

Department of Finance, 2008: Table B-4) with 124 full-time City employees (City of San Carlos Finance Department, 2005: p. 31).

The 2000 Census shows a highly educated populace with 94.6 percent being high school graduates and 49.8 percent having received at least a bachelor's degree. The community lacks the diversity of many San Francisco Bay Area communities, being 75.1 percent white and only 12.5 percent Hispanic, 12.3 percent African-American and 3.6 percent Asian. San Carlos is an affluent community with a median household income in 1999 of \$88,460 as opposed to the United States median of \$41,994. This income is required, however, to be able to live in San Carlos, where the median value of a single family residence is \$626,400 as opposed to the U.S. median value of \$119,600 (U.S. Census, 2007: San Carlos Fact Sheet).

San Carlos operates on a two-year budget cycle. The City is empowered to levy an occupancy tax on hotel and motel stays and a business license tax and also relies upon property tax and sales tax revenues; property taxes are the largest sources of revenues (35 percent). Public Safety comprises by far the largest portion of their expenditures (52 percent) followed by General Government (19 percent) and Parks and Recreation (18 percent) (City of San Carlos Finance Department, 2008).

Expenditures of \$24.3 million were reported expended from the General Fund in the fiscal year ending June 30, 2006, which resulted in a deficit of only \$221,789 (City of San Carlos Finance Department, 2007). Of the expenditures, \$770,732 was spent on information management activities (City of San Carlos Finance Department, 2007) that were budgeted under the City Manager's Office (3.17 percent of the total General Fund for the year) within General Government with a total of four employees on the information technology staff, including the IT manager and three system analysts.

In comparison, the City of Los Angeles in 2005 budgeted 1.84% of their total budget to the

Information Technology Agency (Los Angeles Chief Administrator's Office, 2005) and states spent anywhere from 1.24 to 3.4 percent of their budgets on information technology in Fiscal Year 2000 (West, 2005).

The leadership in San Carlos has been critical to the culture of innovation and technological advancement that has been fostered. The former city manager was in that position for 18 years and retired in 2005, to be replaced by the current city manager in September 2005. The assistant city manager, with the City since 1986, created the initial website for the City and had a national reputation in the area in public sector technology. Along with his work in information services, he also served for a time as finance and human resources director.

A council-manager government, all interviewed were very quick to say that they could not have achieved what they have without the support and leadership of their mayors and city councils over the years (Dillard, 2006; Moura, 2000). The city council was known for its support of innovation, a factor of course critical to their e-government success.

## **THE BEGINNINGS**

Very soon after the development of the World Wide Web, San Carlos created a website, joining neighbor Palo Alto in becoming the first and second American cities to do so. Since that time, San Carlos has been one of the most consistent innovators among governments utilizing the Internet and the World Wide Web. In fact, they were technology and Internet innovators even before the World Wide Web existed. Table 1 presents a timeline of the development of the San Carlos website.

Soon after the development of the Internet, in 1993 the City began experimenting with putting their brochures and other important information online in a gopher database system. They worked

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