

Presentation

Kansas Government Finance Officers Association


June 5, 2009

Kansas Government Finance Officers Association

Questions for small group discussion

- Identify creative short term measures currently being used in your community to address short term budget challenges.
- Highlight long term ideas taken or under consideration by your community.
- What actions did you do now in retrospect you wish you would have taken earlier (if any)?
- What actions did you do now with the benefit of hindsight you would not do over again if you could?
- What has been your individual role in this challenging fiscal climate within your organization?

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Kansas Government Finance Officers Association

A Fresh Perspective on
Finding Sustainable Budget Solutions

June 5, 2009

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Changing Economy,
Changing Roles

What is the role of the finance
professional in the toughest economy
in decades?

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Where Have We Come From? (Pre-2008: Not Everyone, But Most)

- Predictability
- Sound financial position
- More rather than less services
- Generally positive management/employee relationship

What Has Been/Is Your Organizational Mind Set?

- Prolonged pattern of "always growing"
 - Stability (steady tax rate)
 - Projects/funding generally work out
- Managers crying wolf again!
- Vested interest in expanded systems
- Long-term or short-term focus?

What is Different?

- The future is uncertain
 - Where will the economy settle out?
 - When will the economy settle out?
- The future is uncertain for my entity
 - Nexus between your local/state/national economy and your entity's financial health
- YOU CAN NOT BUDGET BY EXTENDING THE LINE!
- WHERE WILL THE NEW EQUILIBRIUM BE?

How Will My Entity Change?

- Organizational changes
 - Which services?
 - How delivered?
- Funding changes
 - Mix and levels: sales tax concentration
 - Development patterns and revenues
 - Assessments, TIF, impact fees
 - Role of property taxes: 'price of government'


How Have/Will Governance and Management Mindsets Change?

- Risk?
 - Development risk?
 - Sales tax revenue risk?
- Impact on residential and business?
 - Raising public revenues?
- Tough recommendations and decisions?
 - Individual manager's positions?
 - Political environment?

What is the Cost of Being Financially Healthy?

- "So what if our credit rating goes down?"
- "So what if we need to spend down reserves?"
- "Can't we move the money from over here to over there?"
- "How can you say increase taxes, rates and fees when people are losing their jobs and homes?"
- Today's environment tests: priority of basic elements of financial health. (This is ironic.)

What role does the financial professional now play in answering these questions and managing in these times?

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How Are You Perceived Within Your Organization?

- Different organizations: different molds
- Bean counter to financial manager
- Cries wolf, but always finds money
- What is your stature among senior managers?
- What is your access and credibility to governing body?

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What Do You Take Professional Comfort In?

- Our fund balance policy?
- Our fiscal policies?
- My budget computer model and plan?
- Credit rating?
- All elements of the "old time financial religion"
- Finance professional style
 - Gatekeeper or flexible participant

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Challenges to Your Comfort Zone

- In their current form do they still make sense for these times?
- To what extent are they defensible if broadly challenged?
- To what extent are you willing to accept changes to these fundamentals?
- Is my professional approach appropriate in these times?

Changing Role of Finance Professional

- Needs of your jurisdiction: big picture
- Definition of where your jurisdiction should be when the economy finds new equilibrium
- Plan on how it is going to get there during this multi-year period of uncertainty and retrenchment
 - Services
 - Funding and financial position
 - Risk

Changing Role of Finance Professional

- Needs of your jurisdiction: finance activity
 - Good information in new ways
 - Easily understandable information
 - Flexibility of response
 - Understanding their risk tolerance and define mitigation systems
 - What should be my fund balance in these times?
 - Trust in their financial professional

Hallmarks of a Successful Financial Professional in These Times

- Organizational acceptance of your standing and information
- Flexibility and adaptation
 - Change your systems
 - Change your policies and practices
- “Old time financial religion” in a cycle

Hallmarks of a Successful Financial Professional in These Times *cont.*

- Must have a financial plan which is:
 - Dynamic, flexible and multi-year
- Must be viewed as ‘go-to’ professional, with the financial wisdom
 - First, a peer professional, then a finance professional
 - Constructive engagement

These are “times” within our personal and professional life where - especially on a beautiful spring Friday in June - we all can find value in much needed *perspective and reflection*

How long will the current economic conditions prevail and what does that mean for you and your organization in both the short and long term?

The old adage “You can't know where you're going if you don't know where you've been” remains valid and relevant.

So, What is Your Perspective?

- Are you...
 - Anxious for the economy to turn around so you can get back to where things were before?
 - Struggling now because the economy has changed your plans and goals?
 - Hoping your short-term actions are good enough?
 - Nervous about where things are heading and realize that more extensive changes to your organization are ahead?

OR

What is Your Perspective? *cont.*

- Are you looking at this economy as...
 - A chance for a new direction for you and your organization?
 - An opportunity to address structural change in your government?
 - An opportunity to finally address those personnel or business items that you have put off and avoided for a long time?

How Are You Making Short-Term Decisions?

- Are you...
 - Allocating resources to high-priority areas and re-examining your most significant programs and activities? *OR*
 - Treating everyone equally and trying to do everything as in the past (but maybe slightly less of it)?
- Are/has...
 - Budget directions and guidelines strategic, clear and consistent and driven by organizational objectives? *OR*
 - Is each department or division developing their own recommendations and solutions?

How Are You Making Short-Term Decisions? *cont.*

- Are you...
 - Communicating with your employees, union officials and citizens and seeking their input, advice and ideas? *OR*
 - Withholding information and communication because you are uncertain as to what impact it may have and how it may be used.

How Are You Making Short-Term Decisions? *cont.*

- Do the elected officials...
 - Have an active, engaged and participatory role in the budget process? *OR*
 - Have staff drive budget discussions and are acting on internally driven recommendations?
- Are you...
 - Scaling back or slowing down on your long range plans, but keeping them largely in place? *OR*
 - Rethinking your long range plans and in all likelihood could update your strategies and direction?

What Are Your Citizen's Expectations?

- Continue to provide the same services at the same levels as if nothing has changed? *OR*
- Reduce the level of services equally across the board? *OR*
- Perform only essential services and cut, reduce or eliminate the rest? *OR*
- Fundamentally restructure with new ways to deliver the same or equal level of services.

How Are You Professionally Viewing This Experience?

- Previously was bored and complacent - this has stimulated me to step up, lead and take action
- Nervous as "all get out"
- Not sure what to do and am afraid to say anything
- Been asked to accept a higher profile role and am doing so with some level of anxiety
- Hanging on for dear life
- Doing just fine, thank you

How Are You Personally Handling This Experience?

- I am "In box" managing
- Trying to the best of your ability to stay in your comfort zone?
- Finding the crisis and accompanying change a challenge, at the same time a personal stimulant
- What are you spending your time on?
- Taking care of yourself and your family?
- Taking time away from work?

How Are Your Employees Doing and Have You Asked Them Lately?

- How is morale and the general mood of the staff?
- How are you engaging your staff in the budget discussions and actions?
- What messages and communication have you relayed to them?
- What other activities can you do to release tension and build camaraderie in the office?
- Are you doing all you can to minimize "water cooler" rumors and conversation?

Are the Roles of Key Elected Officials and Staff Clearly Defined and Articulated?

- Well understood and clear?
- Communicating and establishing consistent and well articulated expectations?
- Supporting each other through these difficult times?
- Presenting a unified message and voice to your many constituencies?

In times of crisis and challenge, no matter the cause, there is no better timing and opportunity to reflect and take measure of your personal and professional perspective, goals and expectations.

The Emergence of New Thinking on the Budget Process

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The process of budgeting is transforming from an exercise in Excel® spreadsheets and internal number crunching to a more collaborative, open and constructive process.

The most successful organizations will be those who embrace this transformation and create new opportunities that contribute toward the realization of the organizational goals and objectives.

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Rethinking the Traditional Budget Process

- From internally driven tool to externally focused action statement and communication document
- Introducing and combining the value and consideration of five (not entirely unique) elements:
 - Know your numbers
 - Engage your citizens
 - Communicate your message
 - Analyze your work
 - Rethink your structure

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Know Your Numbers

"Good budget information, credible historical data, reliable budget forecasts and informed interpretation of the findings becomes the anchor for all budget related actions."

ICMA, April 2009

Questions to Ask In Examining Your Financial Condition

- Is your financial information accurate, up-to-date and reliable?
- How are you relying, if at all, on historical trends?
- What are your future financial indicators projecting; are they fluid and flexible given today's economic uncertainties?
- Are you preparing several different fiscal trends based on various scenarios and assumptions?

Questions to Ask In Examining Your Financial Condition *cont.*

- What financial reporting are you doing; how effective is it?
- What is the status of your financial policies; do you have any?

Recommending Best Practices: Ideas to Consider

- Analyze fees to ensure they cover the basic costs
- Ensure special revenue and enterprise funds cover appropriate administrative costs
- Refinance debt to capture better rates
- Manage investments for the long term
- Examine all fund balances

Engage Your Citizens

When making significant policy, program and service decisions, especially those that differ from past practice, it is vitally important to merge the input of the citizens, the staff and elected officials.

The best public policy will result.

Citizen Engagement: Are You Ready for It?

- Historically a footnote, legal or process requirement
 - Acceptable and the norm in good times
- People are generally skeptical
- How to engage them and build trust is a critical step
- Distinguishing the single issue view from the larger public policy interest is a challenge

**Citizen Engagement:
Are You Ready for It?** *cont.*

- Open, upfront and honest dialogue will work
- Treat citizens as allies and an extension of your city hall or county courthouse
- Professional satisfaction is generated when citizens are engaged, informed and involved
- Be strategic and not random
- Build an effective strategy using key community leaders

**Various and Traditional Means to
Get Citizen Input**

- Issue-based conversations
- Specific subject focus groups
- Polling: voting tools
- Brainstorming sessions
- Web site surveys
- General citizen surveys

**Various and Traditional Means to
Get Citizen Input** *cont.*

- Informal "coffee shop" conversations
- Public meetings (a.k.a. town hall forums)
- Presentations to clubs and organizations
- Partner with clubs and organizations
- Online communications
- Open houses

“By communicating with citizens, leaders can manage perceptions and increase public understanding of fiscal challenges. Doing things like preparing reports, preparing briefings, being specific about community resources and essential services is critical.”

*paraphrase from Alliance for Innovation Report,
January 2009*

Communicate Your Message

Now, more than ever, communicating your actions and message is a vital part of local leaders' responsibilities. With 24-hour news coverage, instant access via the internet and opinions being formed and shaped in mediums like "blogging", local officials must be active and forward-thinking in delivering their own message. This is not an optional objective anymore, but a critical public policy and budgetary priority.

How to Effectively Communicate Your Message

- Avoid acronyms; be clear and honest in your content
- Commit the time to explain your decisions and rationale behind them
- Train and educate your staff on effective communication
- Assign various individuals in your organization to be speakers based on their talent, position and skills.

How to Effectively Communicate Your Message *cont.*

- Build trust with your local media
 - Meet with the editor (editorial boards)
- Be proactive; seek out opportunities through speaking and writing engagements
- Commit the time and energy to meet with your legislative delegation
- Be consistent; stay true to your core message over and over again

What Are the Different Ways to Communicate?

- Personal conversations
- Website
- Newsletters
- Cable television shows
- Town hall meetings
- Advisory group presentations
- Community group presentations
- Public information campaigns
- Radio programs

Evaluate Your Policies and Programs

This is a complex and difficult obligation; challenging even in good times. This effort requires careful thought, a long-term commitment and at times an up-front subsidy with no assurance of short-term results. Yet it is a driving force in local government. All entities must engage in some form of program evaluation.

Citizen accountability demands it.

Are You Working and Focusing on the Right Things?

- How do you prioritize programs and services?
- Does everyone in your organization know the mission, goals and strategies?
- Are department's activities consistent with overall organizational objectives?
- Do you have any performance evaluation tools in effect today?
- Have you benchmarked your services to other communities your size?

Are You Working and Focusing on the Right Things? *cont.*

- Do you have financial policies, guidelines or principles in effect?
- Is there any overlap or redundancy in your systems, processes and structures?
- Are your short term actions consistent with your long term plans?
- What are your organizational "sacred cows" and why?
- Do you have silos in your organization?

Recommending Best Practices: Ideas to Consider

- Engage in a process to prioritize your services
- Review your organizational structure
- Streamline accountability and reporting relationships
- Reallocate staff resources to higher priority areas
- Examine your internal processes to determine which ones add value: consider not doing some things.

**Recommending Best Practices:
Ideas to Consider** *cont.*

- Cross-train and utilize your resources in the most optimal way
- Share services and resources with your neighboring jurisdictions
- Create internal "swat" teams to provide support and assistance as necessary
- Develop new leaders and emerging value added contributors

**Rethink Your Structure:
Working Together**

This might be the best time in our generation to seriously examine local government services from what, how, why and who does what we do.

Restructuring and reorganizing happens routinely in the private sector, but often it takes a catalyst or significant event for it to happen in the public sector.

The world is fundamentally changing in front of our eyes and the business culture and climate is undergoing a metamorphosis with no parallel since the 1930's.

Can we really expect the public sector to stand still and not change? If the answer is no, then the question becomes what is your role in this transformation?

Fundamental Premise

Boundaries created in the 1800's are not a reliable, effective or valid foundation to build our local governments of the future.

Does it matter anymore what color the squad car, ambulance or snow plow is?

What Are the Possibilities and the Potential?

- Traditional barriers to collaboration include:
 - Philosophical differences
 - Lack of political will
 - Leadership void
 - Lack of trust
 - Too busy; no time
 - No motivation; why bother
 - Maintain control
 - Legal issues

What Are the Possibilities and the Potential?

cont.

- Does collaboration mean elimination or extinction?
- What services could you begin to talk about that could possibly be shared with others?
- What do you think is going to happen at the Kansas State Legislature on this topic?
- What are the citizen expectations of local leaders in today's economic environment?

Options and Ideas for Working Together

- Sharing services
- Privatization
- Consolidation
- Private and public partnerships
- Contract for services
- Technology arrangements
- Intergovernmental agreements

Simple Ideas for Moving Forward

- Set up a meeting with staff or elected officials
 - Discuss how you are already working together
 - Compile a list
 - Promote your list; celebrate what you have done to date
- Pick one subject and brainstorm on how it is organized and structured
 - What are the strengths and weaknesses
 - What are possible future opportunities
 - Pick an easy topic – “low hanging fruit”

Simple Ideas for Moving Forward *cont.*

- Host a community meeting
 - Bring in guest speakers
 - Motivate others for action
 - Provide examples of success stories
 - Do not have to reinvent the wheel
 - Discover your allies (and your foes)
 - Create a working group to follow-up

Are there future winners and losers?

Success is an arbitrary and subjective assessment in the public sector. How will you know if you made the right choices during this difficult period? There is no guarantee.

The following principles will give you assurance you are on the right track.

Organizational Management Principles

- Stay true to your organizational values and culture no matter how difficult the circumstances are
 - Seize the opportunity to change and enhance the culture if necessary
 - Focus on your employees and treat them as assets and partners in your search for solutions
- Keep to your long term strategy or change your strategy if it is no longer valid
 - Look at short term actions as "means" to your end and not an end in and of itself

Organizational Management Principles *cont.*

- View this experience as an opportunity as opposed to a burden
 - Don't be afraid to ask difficult questions and explore new ideas inherent with risk and challenges
- Citizens care about value and service, not institutions and boundaries
 - Work to create a flexible and fluid organizational foundation
 - Reduce bureaucracies and redundancies

Focus on the Future: Building Blocks

- Public credibility
 - Customer service, communication and connection
- Public service
 - Accountability, efficiency and innovation
- Public pride
 - Leadership through a motivated workforce

Focus on the Future: Building Blocks *cont.*

- Public technology
 - Services built for a new generation of citizens
- Public leadership
 - Community participation and volunteerism

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Case Study – I am in charge, now what do I do?

You are a Chief Financial Officer in a community of 20,000 residents and currently have ten years of experience in your current job. Prior to this position, you spent five years as an Assistant Budget Director in a community of 75,000 people. With the exception of a slight 15 month recessionary period in late 2002 through early 2004, your entire professional career has been working in a growth and expansion environment. Within your city and profession you are recognized as an experienced professional who is well versed and knowledgeable about local government budgets, fiscal policies, financial controls and investment management all while continuously working with a growing tax base and an expanding population profile. (As an aside, you have been tested in your career, but within the past five years have found yourself quite content and comfortable in your position, role and responsibilities.)

Now two dramatic changes are taking place.

First: the current economic downturn is the broadest and deepest you have ever faced in your career and now find yourself challenged and out of your comfort zone. You have been assigned to lead the City's task of implementing short term budget fixes in anticipation of longer term actions necessary for the 2010 budget. You feel good about your grasp of the financial challenges, but are overly anxious about your community's dependency on growth to finance and fuel your operating and capital needs. In addition, you are worried and anxious about how this economy is going to impact your own long term future.

Second, and most telling, your Administrator has just resigned to take a position with a new city. This comes as quite a shock to you and the staff. Although you knew she was well respected in the local government profession, you did not expect her departure at this time. The prevailing thought is unsettling, that this move comes at a bad time for you, the organization and community. She was an excellent Administrator, strong in her communication, organizational management and political skills. The City Council has just held a special session and decided not to fill the position right away. To make matters even more interesting, they have asked you to consider taking over the Administrator duties over a short term period with no specific timeframe established.

In your conversations with the elected officials you both recognize that this decision is risky, and clearly stretches your comfort zone, but for now, with some reluctance you realize it is in the best interest of everyone to accept this assignment. There is no one else in City Hall who can do the job. You do get a pay raise as part of the assignment.

Yet there is a caveat to the assignment and not totally unexpected. In fact, you knew it was likely and anticipated. The City Council wants you to personally lead and identify the long term recommendations for dealing with the 2010 budget. Although you knew this was coming, you had a great amount of comfort in knowing the Administrator would ultimately be responsible for this effort. You never thought you would be the "administrator".

With the following operating and financial assumptions, you are in charge now.

Financial and Operating Assumptions

- The general fund balance is at a comfortable level, but has been used within the past six months for some one time capital expenses and coupled with a shortfall in anticipated revenues for this budget cycle it likely to trend downward for the first time in years.
- Your short term actions include freezing capital expenditures, pay freeze for all employees, and a 2.5% reduction in across the board general operating expenses.
- With the impetus of the departing Administrator you and only a few key staff members are aware that plans are being developed to downsize up to 5% of the workforce in the next three to six months.
- Your credit rating is under review by Standard & Poors due to a long planned addition to City Hall and the anticipation of a new Fire Hall to be built in a new development. These capital expenses were in the CIP and have been planned and budgeted for.
- With one exception your peers at the senior management level have less experience than you and have always considered you a team player; yet they are very uncertain about your ability to lead in a crisis economy. The Police Chief has 25 years experience and has always been considered a maverick and is not unaccustomed to end running the Administrator to get what he wants.
- Your organization's operating budget is \$20 Million dollars.
- The City Council is encouraging you to look beyond short term financial actions and is requesting that you consider organizational structure and changes to the service delivery methods and systems.
- The City Council is experienced, but there is no real leader within the group, the previous Administrator did a great job in keeping them together, but the end result is no one has yet to step up to take charge in a public way (it is a "weak-Mayor" system).
- You have good relationships with your neighboring communities and are generally familiar with the Administrators and count the Finance Officers as good friends.
- You are not well known in the greater community.
- You expect your budget gap for 2010 to be in the neighborhood of \$2,000,000.
- You have four bargaining units: Police, Police Sergeants, Public Works and AFSCME. Labor management relations have traditionally been good; all four contracts are up this year.
- Your spouse called and said your son just made the starting baseball team and you love baseball and have watched him play his entire life.
- You and your wife were planning a two-week vacation within the next six months.

Now what do you do? What are the five most important actions for you to take within the first 30 days and why? What are the five most important actions for you to take within the first 90 days and why? And what are the five most important actions for you to take within the first six months -- which coincides with the recommendation of your 2010 budget -- and why?

Scott County Program Matrix

	Protect Life	Protect Future / Risk Avoidance	Maintain Existing Infrastructure	Quality of Life
		Manage the Challenges of Growth & Development	Active and Informed Population	
	Create Safe & Healthy Communities	Sustain Financial Health	Sustain Financial Health	Livable Communities
			Organizational Development	
Statutory Responsibility of the County	Child Protection Intake & Service Adult Protection Guardianship Decision DD State Ward Services Disease Investigation & Control Juvenile Placement Community Corrections Intake/Pretrial - Adult and Juvenile Supervision Community Corrections Monitoring Highway Traffic Highway Maintenance Operations Jail Emergency Management Investigations Patrol Functions Dispatch Training Prosecution of Adult & Juv. Offenses Child Protection Cases Commitments Guardianship / Vulnerable Adult Cases Sexually Dangerous Person Cases	Accounting / External Financial Reporting Budget County Auditor Property Assessment Taxation Purchasing Investments Public Health Child Support Mental Health Case Management Developmental Disabilities Case Management Adoption Foster Care Licensing Adult Services / Long Term Care Financial Assistance Emergency Preparedness Accounting MFIP - Employment Security Mental Health Services Employment & Training Veterans Services Labor Relations Compensation & Classification Recruitment & Staffing Payroll & HRIS Benefits Admin Risk Management Employee Health & Safety Surveyor Functions Land Records - Recorders Functions Property Tax Collections Issue Liquor, Tobacco & Charitable Gambling Permits Civil Appellate Cases Adm. Appeals Civil Ord. Enforcement, e.g. meth ord. Child Support / Paternity Cases Community Corrections Diversion Program Tax Cases Condemnation Proceedings Legal Counsel and Advisory Ops Civil Litigation Representation Victim / Witness Program Board Meetings Environmental Health Hazardous Waste Management Solid & Household Hazardous Waste & Components 2030 Comp Plan Storm water Management Onsite Sewer Management	Elections Forfeiture Cases Census Work	Child Care Licensing Minor Parent Ditch Inspector, Ag Inspector Notary Certification Law Library Library Services Jail Programs
County Strategic Initiative		Highway Construction Highway Planning Meth Task Force Legislative Priorities Admin Priorities Water and Natural Resources Planning Scott and Vermillion WMO Code Enforcement	Training & Development SCALE Scene Future Leaders	Transit Planning Park & Trails
Division Priority	Special Response Team Building Inspections	Management Reporting / Analysis Collections Developmental Disabilities Day Programming I.T. Applications Development Facilities Expansion & Cap Improvement Plan Crime Scene Contracts (Renaissance) Worthless Check Program OPA Studies Board Support	I.T. Customer Service Facilities Maintenance I.T. Infrastructure I.T. Applications Support Sheriff's Academy Planning and Zoning	Transit Dial-a-Ride Reserves Volunteers
Optional / Traditional		Truancy Truancy Program	Sentence to Service Link	Extension Services Passport Services Birth and Death Records Marriage Licenses Deputy Registrar Services (DMV & DNR) Welcome / Information Desk Community Grants Fair Historical Society

- Administration
- Community Development
- Community Services
- County Attorney
- Employee Relations
- Finance
- Public Works
- Services
- Sheriff

Kansas Government Finance Officers Association

Sample Resources

“Navigating the Fiscal Crisis (White Paper), Tested Strategies for Local Leaders”, ICMA and Alliance for Innovation, January, 2009.

“Financial Crisis Hits Cities, City Solutions”, League of Minnesota Cities -Minnesota Cities Magazine, November-December, 2008.

“Coping with Economic Crisis and Some Lessons Learned”, ICMA – PM Magazine, December, 2008.

“Managing Your Budget: Making Tough Decisions in Tough Times”, ICMA – PM Magazine, April, 2009.

“Crisis as Opportunity”, Governing Magazine, March 2009.

“Public Participation in Planning, Budgeting, and Performance Management (2009)”; GFOA, February 2009.

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Navigating the Fiscal Crisis: Tested Strategies for Local Leaders Alliance for Innovation January, 2009

Actions to Promote Constructive Change

- Cut quickly; avoid delay
- Take a long term view
- Focus on core mission, purpose and highest priorities
- Invest in innovation and continuous improvement
- Manage revenues as carefully as expenditures
- Examine and improve organizational design and processes
- Foster stewardship and cost containment
- Create a sense of inevitability, devise a workable schedule and stick with it
- Commit to communicating with all stakeholders