

This Fiscal Crisis Requires Bold Actions

Don't Just "Cut the Budget": Rethink and Redesign City Services

Ed Everett: ICMA-CM

History

Local government has faced a long history of financial crises that have led to many budget cuts. Examples include: the passage of California Prop 13 in 1978, with many states having had something similar; the stagflation and global recession during the late 1970's and early 1980's; the Dot.com bust in the early 2000's; the 2008 great recession; and now, the 2020 global pandemic and fiscal crisis. The current crisis could prove to be larger than the other four combined.

Unfortunately, during many of these past crises, local government solved "the problem" by making traditional budget cuts. Let's use a very different mindset to approach this enormous fiscal crisis.

Mindset is Everything

If your mindset is just to figure out how to cut your budget, your thinking will be too narrow. This approach will miss the mark by being too small, too traditional and too limiting. By expanding your mindset and approach, you will generate more creative ideas and lasting, long-term solutions. This crisis provides an opportunity to rethink and redesign traditional city services.

Set the Table

Before starting any major process, it is essential to first develop a set of guiding principles. Guiding principles allow the organization to look at the bigger picture. You can then use them to evaluate conceptual approaches and proposed ideas. What might these principles look like? I have listed a few to kick start your thinking.

- 1. We value our employees and will be humane and equitable in our personnel decisions.*
- 2. We will keep service outcomes foremost in our decisions vs. organizational structure.*
- 3. We will prioritize creative and strategic solutions.*
- 4. Every section of the organization is fair game for creative ideas; sacred cows, status quo and "we have always done it this way" are not allowed to override new ideas.*
- 5. We will engage employees, residents and community organizations to help us solve our mutual fiscal crisis.*
- 6. We see this as a multiyear strategic approach to rethink our city services, not just a one-year budget cutting exercise.*
- 7. We understand that with fewer employees we need more skilled employees so quality training will not be significantly reduced.*
- 8. We realize that the city alone can't solve the really big problems like drugs, crime and homelessness. We must partner with others to solve these problems.*

What's on the Menu?

I understand each local government in each state faces different challenges, issues and regulations. I offer these suggested steps as a jumping off point. These ideas are meant to challenge and stimulate your thinking so you and your team don't become captive to past practices or thinking.

- 1. Set the Example.** This should not be a bottom up process where the lowest level and least senior employees are cut. Instead, let's start at the top and be leaders by setting the example.

I suggest that the City Manager and the executive team take a 15% pay reduction. Division heads and middle managers should accept a 10% reduction in pay. This will send a positive message to the rank and file employees as well as to the residents. These suggestions could be an interim measure to get through the initial financial crunch and provide time to implement more creative and strategic solutions.

- 2. Flatten Your Organizational Structure.** I strongly urge you to use this crisis to flatten your organizational structure. I encourage you to eliminate the positions of stand-alone Assistant/Deputy City Managers. Reasons for this recommendation are identified in my article "Rethinking the Assistant/Deputy City Manager Position" published in the January 1, 2020 ICMA [\(Opinion/ Rethinking the Assistant/Deputy City Manager Position | icma.org\)](#). I wrote this article before the pandemic and believe it is even more relevant now. I discuss in detail the benefits of a flatter organization and the value of this recommendation to our profession.

For the same reasons I also suggest that you also strongly consider eliminating assistant and deputy department head positions. Flattening your organization will: reduce micromanagement, improve employee motivation and lead to easier decision making, which will improve services and organizational flexibility.

- 3. Encourage, Push and Demand Creativity.** You need thought-provoking ideas to dig yourself out of this crisis. A proven way to get your departmental teams to think creatively is to ask them to consider the "almost impossible".

I recommend you ask each department to present a "serious" budget that is 50% of their existing budget. Why do this if you are not going to cut everyone's budget by 50%? This exercise will:

- Force your departmental teams to completely rethink what services they provide, why they provide them and how they provide them.
- Reveal the department's true priorities and the programs they feel are no longer useful or appropriate.
- Require departments to creatively think of less costly and more efficient ways of providing their most important services.

- 4. Partner and then Partner some more.** Let's get ourselves out of our city-centric silos. Consider how others might help you provide a service by partnering with neighboring city to become more efficient. For example, City A provides public works services to City B and, in turn, City B provides City A parks and recreation services. The overhead cost savings alone will be substantial.

There are numerous examples of such partnerships. Police and fire departments have been contracting with other cities for a long time. Redwood City, CA. Fire began providing management services to the San Carlos firefighters. Both cities saved money and eventually the two departments merged without conflict.

Consider partnering with non-profit organizations where there are some overlapping services. For example, partner with the YMCA or The Boys and Girls Club to provide services to youth and adults. Another example is to partner with your local school district, college or university to provide grounds maintenance or other services. Remember that these organizations are also looking for ways to balance their budgets.

- 5. Don't Waste a Crisis!** All private and public organizations have a few employees who underperform and can be toxic. Use the crisis to remove these few individuals from your organization. Research shows that incompetent employees can drag down the morale of an organization.

Develop a strategy, review it with the city attorney/human resources director and move forward. Don't ask your city attorney or HR director if this is legal. Rather, ask them to be creative and guide you legally within your rules.

- 6. Involve and inform employees and residents.** You have talented employees and residents. Involve them in legitimate civic engagement around this issue.

Unfortunately, many cities don't have the experience or skill set to plan and implement an effective civic engagement process. Civic engagement is about listening to the ideas of others, learning from them and incorporating their input where appropriate. It is **not** coming up with a city plan and then "selling" it to your employees or to the public, an approach that will certainly backfire.

Some organizations in your area will have the skill set to implement effective civic engagement processes. I recommend you contact them for advice or assistance. I highly recommend the Davenport Institute for Public Engagement and Civic Leadership, which is associated with Pepperdine University in California <https://publicpolicy.pepperdine.edu/davenport-institute/>. This organization has been training and consulting with local governments in this area.

7. Involve unions. Unions can be your partner. If you have a good relationship with your employee organizations, work with them to brainstorm creative ideas. They are also facing problems, as the more employees you lay off, the less union dues they receive.

Unions will also have to think differently and not just fall back on resisting management ideas. You and your unions have some common objectives: 1) Doing the least damage to important services; and, 2) Keeping as many of your talented and skilled employees as possible. The cost and effort to hire and train new employees later on are significant.

8. Make it a multi-year redesign process. It is necessary to make this a multi-year redesign process in order to give you time to develop, create and implement eloquent solutions. Making this a one-year budgeting cutting process will enshrine your sacred cows and traditional ways of doing things.

9. Be humane. You will undoubtedly have to lay-off some employees. Give those employees as much notice as you can. I am sure that if you were facing a lay-off, you would want the same consideration.

Wicked problems are not solved with old solutions and traditional budget cutting processes. Wicked problems need:

- ***Creativity*** Get out of the box.
- ***Engagement*** Involve your talented employees and residents.
- ***Flexibility*** Be ready to change your plans.
- ***Persistence*** Fight through the resistance.
- ***Courage*** Face your fears and act anyway.

Now for Your “Just Dessert”

I am not suggesting any of this will be easy...anybody can do easy. You are in the middle of a global pandemic and debilitating financial crisis. This is a once in a lifetime event and opportunity. Use this crisis to your advantage. Our profession has the skills, talents and willingness to solve this crisis. This crisis might well be the ultimate challenge of your career, how will you measure up? Make it part of your legacy.

Good luck! I stand ready to help anyone who would like to pick my limited brain. Please feel free to contact me at everetted@comcast.net

Be A Leader – Don’t Be Afraid - Slay This Dragon!

