

What Options are left when Downsizing is no Longer an Option: Strategies for Small Town City Managers



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Why are we Downsizing Today?  
What has been the Impetus? What are the Limits?



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**Problem Sequence Associated with Consistent Downsizing**

1. Low Employee morale, low degenerative interpersonal relations.
2. Heightened union/management conflicts.
3. Disconnect between bureaucratic structure and employee multi-tasking.
4. Increased Employee job burnout (BO).
5. Low customer satisfaction with municipal services.
6. Loss of governing body confidence in professional management
7. Increased governing body dysfunction.
8. Incapacity to provide core services at acceptable levels of performance.

**ICMA**

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**Table 1. Options for Addressing Fiscal Stress Related Issues - other than Downsizing**

1. Nurture and solidify the governing board - staff Team partnership.
2. Develop a Tactical Survival Plan or TSP.
3. Develop a priority based budgeting process through strategic planning.
4. Implement your solutions as a package if at all feasible.
5. Be flexible and adapt to unanticipated developments. Leverage opportunities.

**ICMA**

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**• How to Address Governing Board Dysfunction**

- Evaluate and review the governance process with the governing board. Is it effective? Take appropriate corrective action as necessary. Utilize joint board/staff task forces to address problems.
- Develop a thorough and transparent financial analysis of existing conditions and projected revenues, and relate these to existing and projected expenditures. Develop a clear and concise tactical plan that shows how short term fiscal issues will be addressed.
- Implement strategic planning and priority setting with the governing board.
- Update the governing board on the progress of implementing the tactical plan, strategic planning priorities and governance improvements frequently. Maintain flexibility to adjust solutions to targeted goals as conditions warrant.

**ICMA**

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**In summary, tactical issues are characterized by:**

- Short term issues that need attention and cannot be ignored.
- Issues that lend themselves to in-house expertise resolution once a decision is made.
- Smaller, more specific issues.
- Issues that can be analyzed and addressed through routine meeting structures.
- Issues that can be addressed through existing budgeted funds.
- Issues that can have an immediate impact on some municipal need or service.

**ICMA**

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**A 12-Step Recovery Process**  
[gfoa.org/financialrecovery](http://gfoa.org/financialrecovery)

Presented by Shayne Kavanagh,  
 GFOA



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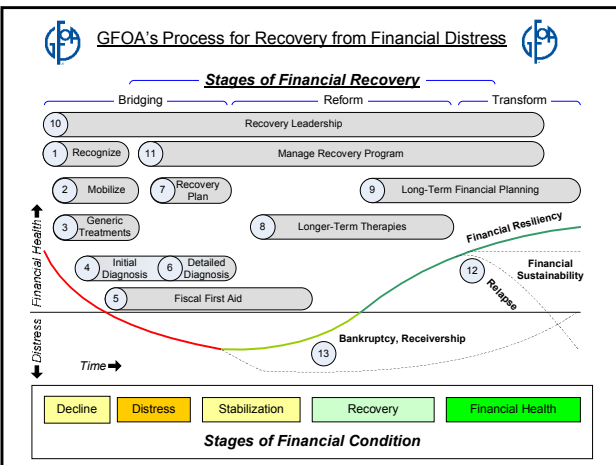
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**Recovery Process Overview** 

Bridge → Reform → Transform

- **Bridge**
  - Recognize & Mobilize: Form a team
  - Stabilize: Buy time, create confidence
  - Diagnose: Discover nature of problems
  - Apply retrenchment tactics
  - Develop recovery plan

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**Recovery Process Overview** 

Bridge → Reform → Transform

- **Reform**
  - Execute the recovery plan
    - Monitor, manage, adjust
  - Further develop & implement long-term strategies
  - Initiate formal long-term financial planning

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**Recovery Process Overview** 

Bridge → Reform → Transform

- **Transform**
  - Institutionalize long-term planning
    - From once-a-year event to a way of life
  - Realize new methods for delivering service
  - Become financially "resilient"
    - Adaptable and regenerative

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### Keys to Bridging



- Recognize
  - Get arms around the situation
    - Forecast
  - Enlist others
  - Create a sense of true urgency (not panic)
    - Hearts and minds approach
- Mobilize
  - Form a recovery team of executive managers
  - Form other teams to help with key tasks
  - Analyze stakeholders

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### Keys to Bridging



- Diagnose
  - Create a fiscal health model
    - A fiscal health model guides the diagnosis
    - Gives the process credibility
  - Question practices and assumptions
  - Validate findings

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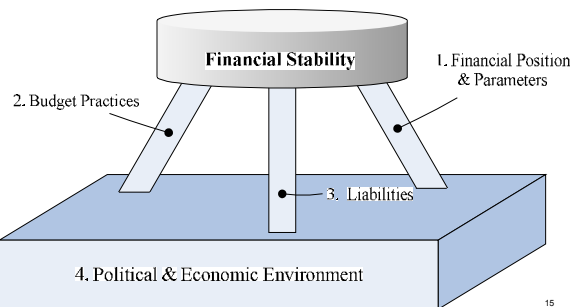
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### A Fiscal Health Model



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## Keys to Bridging



- Develop a long-term forecast
  - Essential for authentic recovery
- Present financial information in clear & compelling format
  - Know your audience
  - Establish your credibility

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## Keys to Bridging



- Retrenchment tactics
  - Use to stabilize condition
  - Can be implemented quickly
  - May or may not be sustainable
  - May have negative side-effects
- Examples
  - Primary: Fees for service, Evaluate OT
  - Use with caution: Defer projects, hiring freeze
  - Use with extreme caution: Broad tax increase, large across the board cuts
- Visit "Step 5 – Fiscal First Aid" for catalogue

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## Keys to Reform Phase



- Written Recovery plan
  - Doesn't need to be long
  - Should be broad in scope
    - Revenue & expense, soft & hard issues
  - Designate time-frames & accountabilities
- Develop long-term strategies
  - Contribute to longer-term sustainability
  - Often challenge prevailing assumptions
  - Visit "Step 8" for strategy suggestions

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## Financial Strategies



- Political/Internal
  - Adopt financial policies
  - Improve teamwork
  - Re-organize
  - Program inventory & review
- Political/External
  - Mandate review
  - Understand citizens' service priorities
  - Align new revenues with citizen preferences
- Technical/Internal
  - Reform budget process
  - Make innovation a discipline
  - Lean process improvement
  - Variance modeling
  - Program Inventory
- Technical/External
  - Economic Development
  - Inflation indexing of fees
  - Pension reform
  - Metro area restructuring

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## Keys to Transform Phase



- Institutionalize long-term financial planning
- Become better able to withstand outside shocks
- Become more adaptable to a changing environment
- Become better able to recover from problems
- In a word...become "resilient"
- Visit "Step 12" for free resiliency whitepaper

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## 12 Step Take Aways



- Use retrenchment tactics to buy time for diagnosis
- Use diagnosis to identify the most important long-term treatments
- Reform of the budget process is almost always important
- Process improvement may also be needed
- Strive for financial resiliency

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Questions/Comments?



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