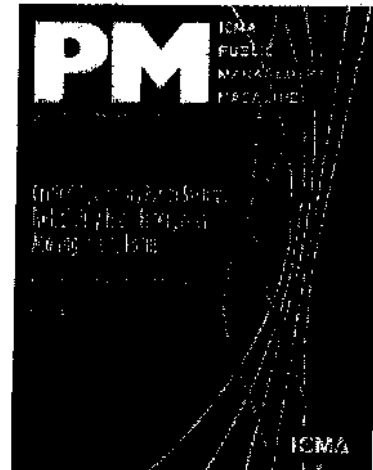


Coping with Economic Crisis and Some Lessons Learned

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When the wheels blew off the economy in 2008 causing many of the country's large-growth local governments to flounder, the city of Las Vegas, Nevada, was already in "battle stations mode." Its city manager had positioned Las Vegas so it could manage its way through the crisis. A solid foundation of credibility and trusting relationships among city leaders created an environment where the staff members could address this defining moment, head-on.



I was part of the team that helped work on the challenge of eliminating a multimillion-dollar revenue shortfall that was driven by the diving economy. The city council had requested that a fundamental review of all city services and departments be conducted. Alignment with key council priorities was to be the rule.

The staff had six months to pull off this effort. It was the city's biggest such effort in years. Thousands of staff hours were spent as we all ground through what we called a "search for the solution." A massive amount of data was collected, reports written and rewritten, and meetings constantly held. The organization didn't treat this as just a budget-cutting exercise that needed to be done so it could get on to other things.

For the city's staff, it was seen as a time to step up to the plate and solve the problem as a team. We all realized this was not just a passing problem or something that could be weathered by burning through the city's savings account (the ending fund balance).

The city manager's message was crystal clear: the organization was to view the challenge as an opportunity rather than an obstacle. This was the time to consider organizational realignment, staff reassignments, and re-engineering and reaffirming our commitment to quality and cost-effective service delivery.

Staff members were challenged with preserving the most critical of services and identifying the services the city could provide less often or could live without. It was time to change what we were doing and how we were doing it. Truly it was what the name implied--a fundamental review of every service that Las Vegas provided.

The effort wasn't easy, and we made the kind of mistakes an organization that hasn't operated in a cutback mode for decades makes. Some of the lessons we learned as things smoothed out are valuable enough to put into writing. These won't work for every organization, but they are food for thought.

Lesson No. 1. Take the Rearview Mirror Off the Bus

Looking back is fine for explaining or justifying why things happened, but everyone needs to focus forward because the new challenges require new thinking. Recognizing that the situation is going to get harder before it gets easier is a required mind-set because cutting back and changing the way things are done is a formidable task.

It was imperative to quickly get beyond the we-looked-at-this-before statements and haven't-we-plowed-that-

ground-already arguments, so one of the first rules was that no program was sacred. This approach also eliminated the blame game so we could get on with solving the situation at hand.

Lesson No. 2. Time and Indecision Are the Enemies

A huge mistake made by many growth communities is waiting too long before grasping the fact that the economy is punching holes in the bottom of the boat. This is especially true where the optimistic mantra of "things will get better" has been deeply etched into the mind-set of the community's business and civic leaders.

The tendency to treat changing economic trends as just glitches, bumps in the road, or a momentary aberration postpones the hard decisions necessary to operate in a cutback mode. The longer a local government believes "this too shall pass" or denies what is happening, the fewer its workable options.

Lesson No. 3. Bang the Drum Loudly

Changing an organization's mind-set from having enough to go around and more to putting the big brakes on spending is an enormous challenge. Management needs to devote as much time as it takes to convince elected officials, employees, residents, and media that not only does a problem exist but urgent attention is required. //

Ongoing briefings, one-on-ones with councilmembers, position papers, discussions with newspaper editors, and meetings with employees are essential. Everybody--elected officials, state legislators, employees, media, and residents--needs to know the facts and what steps are being taken to solve the problem. //

Lesson No. 4. It's All About Job Security

While programs, clients, and services are important to employees, the overriding concern of every member of the local government staff is job security. "Will I lose my job?" is a question that creeps into every worker's thoughts, and worries about family concerns and life style closely follow.

The faster a city moves to the point it can specifically identify what positions (if any) are going to be eliminated and what other compensation impacts are going to take place, the better off its ability to settle down the organization. Until this threshold is reached, employees will focus on whether they will remain employed rather than on the new challenge of operating in a cutback environment. So long as there is job uncertainty, rumors will continue to vibrate through the workforce like a wheel on an 18-wheeler that is out of alignment. } KPL

Lesson No. 5. Heavy Lifting Needs to Be Done by Department Directors

In the end, it is the department directors on whom the management staff depend for making most of the retrenchment decisions. They operate at the direct service delivery level and have the best knowledge of what will really happen if a change is made. //

The absolute success of a radical retrenchment program is tied directly to how well the department directors perform. And the importance of keeping the management team intact and not pitting one department against another cannot be overstated.

A local government manager needs a cohesive team of department directors to work through an expense reduction program successfully. These courageous directors also need regular support by the executive team for putting the really meaningful ideas out there for consideration.

Lesson No. 6. Financial Condition Is the Stabilizer

Common sense and the city's creditworthiness (ability to issue bonds) require strict adherence to the principles of sound financial condition. Measuring every retrenchment decision against the benchmarks of financial condition (the industry standards set by the rating institutions) is a way to avoid bad decision making that is often based on constituency demands, departmental turf battles, or political expediency. //

A solid financial model developed by the Las Vegas finance director and tested by outside financial experts was a critical decision-making tool. A city like ours couldn't ignore the financial condition standards and be able to work

its way out of a period of declining revenues. Failure to recognize these realities would result simply in an academic exercise and not truly solve the city's financial issues.

Lesson No. 7. Every Budget Line Item Has a Constituency

Understanding this fundamental law is why all items on the block, no matter how inconsequential they may seem in the big picture, must be thoroughly analyzed from not only a cost-benefit perspective but also in terms of the social and political values attached to them.

What might seem to be a minor issue to one person might be a very big deal to a special interest group or a politically powerful person. Knowing the impact of the cuts, how many service beneficiaries are affected, and the true savings is a key part of the discussion. Having a strong performance management system is important for mining these data.

Key
data

Lesson No. 8. Cast the Study Net as Wide as Possible

Retrenchment work is a team effort that involves many interrelated and often fast-moving parts. It's a mistake to focus the retrenchment effort on just making budget cuts. Las Vegas put into place 10 other information-gathering initiatives to collect data, ideas, opinions, and judgments with respect to ways to rebalance the organization.

Collectively, these studies focused on human services, operational services, fee adjustments, organizational structure, consolidations with other entities, and alternative work schedules and were used in the decision making surrounding the retrenchment and service-rebalancing effort.

Lesson No. 9. Someone Needs to Be the Referee

No matter how accommodating or collegial all the players are, in a large city or county government someone has to break the ties, override objections, and sort out differences. This way, the manager can concentrate on the complex variables and unknowns that rise up with increasing frequency as the rebalancing effort moves toward a conclusion.

This was the task assigned to me, and it was a real learning experience. For a rebalancing effort to be effective, someone has to make a lot of unpopular choices so the manager has the time to work on the bigger (and often more political) issues. This is not a job for someone who has a need to be liked, and the task needs to be accomplished by someone who not only knows what the organization does at the operational level but also has a firm grounding in finance and budgeting.

Without someone acting as referee, the city or county manager will be buried in endless arguments pertaining to such matters as the consolidation of inspections, use of energy-efficient vehicles, position reclassifications, and so forth. The manager's time needs to be spent with the bigger-picture issues and preparing to make the final decisions regarding recommendations to be made to elected officials.

Lesson No. 10. Politics and Practicality

The buck stops with the elected officials, and they need as much information as the staff can develop. Because they have to make the final calls after receiving the city manager's recommendations, they need to be aware of as many options as possible in order to sort out and oversee the changes.

When staff members are able to clearly identify all the budget-cutting options and present them in a nondefensive way so that the elected officials have a reasonable time in which to consider all the implications, the elected officials can focus on what the city really has to do. Keeping the council fully advised is as important as anything else that is done in a retrenchment program.

Lesson No. 11. Mobilize the Media

When retrenchment work gets serious, rumors start to fly around city hall--the kind of rumors that get picked up by the media. To avoid misinformation from being reported, direct communications need to be established with the media. Reporters need to know who has the facts, and editors should receive updates as often as possible.

The goal is to use the media as a distributor of factual information about what actions management is taking and why. The single most important criterion when dealing with the media is to provide them in a timely manner with factually correct numbers that are understandable to the layperson.

Lesson No. 12. Shepherding the Process

Someone has to be designated as the project manager because of the complex shepherding that this process takes. This person has to have the authority to speak on behalf of the manager with respect to the assignment of tasks, meeting schedules, staff participation, communications, and deadlines.

The project manager needs to have the trust of the organization and the skills necessary for keeping everything and everybody on track. Until the project is completed, it is a full-time task that needs to be handled by one of the organization's best managers. Most important, this person needs to have direct access to the city manager and the full confidence of the manager.

Lesson No. 13. Listen to the Heartbeat of the Employees

Create as many opportunities as possible for employees to share their ideas--preferably outside of traditional meeting settings but not exclusive of them. Idea competitions and focus groups are critical steps for keeping everyone in the loop. You are not likely to solve the problem through that one revolutionary idea, but you will find some low-hanging fruit that you might not have known was hidden behind the leaves. At the end of the day, you will be able to feel confident that everyone had a chance to share ideas for improvement and cost savings.

Lesson No. 14. Communicate Endlessly

Use every opportunity to share the data, process, and latest reports. Dedicated Web sites, memos, and regular newsletters are good tools that most employees can access. Don't exclude your union officials as the process unfolds. They can be important for success when it is time to implement the plan that council approves.

No city or county is totally immune to the economic consequences driven by unexpected events in our global society. In the past, local government managers focused on such local and regional economic indicators as building permits and local employment patterns. Now communities must constantly look beyond the horizon, often to the other side of the globe, where once seemingly other-world events now affect them--for example, the price of oil, industrialization of China, trade relations, global warming, and wars.

Communities must expect to be financially impacted at some point in the future because the new world order is such that an individual community has much less control over its economic housekeeping than in years past. Remember, whether it's the S&L crisis of the '80s, the dot-com burst of the '90s, or the housing and liquidity crisis of today, there will always be bad times as well as good.

To be successful, managers, present and future, will have to develop the skill set necessary to cope with the always looming possibility of revenue upheaval that is now part of the world's economic condition. **PM**

Check out the January/February issue of PM, which will be available at icma.org/pm on January 1.

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