A Menu of Budget and Service Redesign Strategies

Local governments can design a portfolio of budget cuts and service redesign solutions that can help them minimize essential service cuts and avoid significant lay-offs. Below is a menu of potential budget solutions.

Why Avoid Lay-offs?

When faced with significant revenue losses, agencies tend to rely on employee lay-offs since most of our expenditures are employee-related. However, research indicates that lay-offs have many negative and far-reaching outcomes:

- ✓ Productivity plummets
- ✓ Customer service declines
- ✓ Costs go up (for example, severance, outplacement, and rehiring costs once the economy improves)
- ✓ Fear erodes creativity and innovation which are required to overcome the cutbacks
- ✓ Trust in management and employee engagement take a dive
- ✓ Top talent leaves forever

In short, your organizational capacity and viability going forward are dramatically undercut. An agency may still need to use lay-offs at some point, but lay-offs should be a last resort given all the negative consequences.

Some Caveats in Selecting Ideas from the Menu

When choosing appropriate budget ideas from the menu below, consider the following caveats:

- ➢ No one "solution" is a magic bullet that will solve all your budget problems.
- ➢ You need to mix and match ideas from the menu and craft a plan or portfolio of solutions that works for your unique organization and community.
- ➢ You may not agree with the value or appropriateness of any one item on the menu. The menu provides choices and options for you.
- ➢ You must help the Governing Board identify its priorities so that senior management can identify core, important but not essential, and discretionary services.

➢ Depending on state law, you may need to consult or formally negotiate with employee groups or unions in order to implement some of the potential solutions. Unions may be able to "block" you. You are more likely to be successful to the extent that you have a positive working relationship with the employee groups or unions.

➢ Some the menu options can be implemented immediately (for instance, cut travel and other discretionary spending). Other choices are more mid- or longer-term approaches (for example, leveraging assets or regionalizing services). Your budget plan should identify short-, mid- and longer-term efforts.

➢ Some of the strategies should be viewed as "experiments" (for instance, self-managed work teams). You start a beta test, see what works and what doesn't, and scale the effort if the beta test is successful.

➢ An organization needs to spend money to make money. If you wish voters to approve a new tax revenue measure, you may have to spend funds on a consultant or polling. To invest in new tech solutions which may eventually reduce staffing, you may need to invest scarce resources in developing and implementing these solutions.

➢ Your City Manager and budget team must engage the Governing Board, employees, union representatives, outside stake-holder groups, and potential service providers in discussing the value and opportunities posed by the budget proposals. To the extent possible, incorporate the ideas of the groups so the proposals become shared solutions.

➢ The menu is **incomplete**. Please suggest additional ideas or share examples for the menu by emailing me at frank@frankbenest.com.

The Menu

1. Cut non-employee spending
☐ Cut discretionary spending (e.g., travel, computer replacement)
☐ Delay non-priority capital spending (e.g., new gym floor)
☐ Refinance current debt, lowering debt payments and freeing up cash
☐ Reduce contributions to internal service funds (e.g., fleet, workers compensation) if these internal service fund balances are sufficient
☐ Other?

2. Reduce employee-related costs
☐ Initiate hiring freeze
☐ Negotiate with employee groups or unions to forego or delay scheduled salary increases
☐ Negotiate with employee groups or unions a greater contribution to pension fund and/or reduce pension contributions to minimum
☐ Lay-off seasonal, part-time, and/or contract employees

- ☐ Put in place a certain number of non-paid furlough days for workforce; use some furlough days in conjunction with year-end holiday closure; allow some choice for employees of when to use furlough days with agreement of supervisor
- ☐ Provide monetary incentive for early retirement or early separation but only if unit/division/department can be restructured around vacancy (e.g., merge two work crews with one supervisor)
- ☐ Provide option for employees to go to a 4-day work week with fewer hours worked; negotiate commensurate salary reduction for those participating
- ☐ Other?

3. Use reserves; borrow from other funds
- ☐ Free up cash by drawing down "rainy-day" and/or "economic uncertainty" reserves and using funds for needed spending; maintain certain minimum levels in reserves
- ☐ Borrow prudently from enterprise, equipment replacement, or other special funds; recommend Governing Board policy for interfund loans; create Governing Board-approved plan to repay funds
- ☐ Other?

4. Cut non-essential services and activities; redeploy staff
- ☐ Reduce service hours (e.g., at library branches, front counters)
- ☐ Reduce levels of service (e.g., police department no longer takes certain loss of property or minor crime reports)
- ☐ Eliminate non-essential or mandated services (e.g., concerts in the park, police motorcycle traffic unit, School Resource Officers)
- ☐ Eliminate certain non-value-added administrative reporting
- ☐ Redeploy freed-up staff to other higher-priority activities and programs in department or in another department
- ☐ Create city-wide "talent pool"; if freed-up staff are not immediately redeployed to higher-priority work areas, they are assigned to talent pool and other departments can then bid on talent and fill vacancies or place them into training or development positions in the department
- ☐ Other?

5. Review and cut service levels for mandated programs if agency is providing higher level of service than required by law or regulation
- ☐ Cut back on street sweeping to meet minimum federal NPDES regulations
- ☐ Other?

6. Re-engineer processes, free up and reallocate staff time
- ☐ Re-engineer and streamline hiring, contracting, procurement processes and practices and allow for gradual elimination of positions or redeployment of staff to other areas
- ☐ Other?

7. Increase revenue

- ☐ Seek approval of tax revenue measures (e.g., sales, property, hotel/motel, business license, and/or utility user taxes)
- ☐ Review cost centers and eliminate subsidies for certain services and user activities (e.g., development fees, recreation fees, park user fees); pursue full cost-recovery including overhead
- ☐ Other?

8. Regionalize or share services
- ☐ Partner with local governments in regionalizing certain services (e.g., fire, library, animal control)
- ☐ Develop shared services with other local government agencies (e.g., shared Leadership Academy for emerging leaders; collaborative purchasing of equipment; shared contracting for street resurfacing; shared recruitments for fire, police, management analysts, street maintenance workers)
- ☐ Offload a service by paying another agency to provide it (e.g., water testing, fleet maintenance)
- ☐ Other?

9. Leverage assets
- ☐ Inventory all assets (e.g., equipment, facilities, technology; real estate, expertise)
- ☐ Sell expertise/services to other communities (e.g., other local governments contract with your agency for IT, recreation or fleet maintenance services)
- ☐ Share equipment for fee (e.g., fire ladder truck; sign-painting equipment)
- ☐ Lease to private entities parking lots, golf courses, utilities, or other assets, or use management contracts, still controlling issues of access, equity, and pricing
- ☐ Other?

10. Offload service responsibilities to other entities
- ☐ Contract with County or another public entity for service and eliminate direct service responsibility (e.g., police, fire, animal control, water testing, libraries)
- ☐ Provide grants to non-profits or neighborhood groups to offer previously delivered service by local government (e.g., provide grant to non-profit to operate senior meals program or sports program for disadvantaged youth)
- ☐ Other?

11. Organizational strategies
- ☐ Eliminate where possible a level of supervision or management; experiment with self-managed teams; provide guidance, training and online tools
- ☐ Redesign jobs and cross-train so staff can share workloads
- ☐ Other?

12. Manage service demand
- ☐ Reduce staffing and other resources by managing service demand (e.g., raise cost of adult classes; redefine "crimes" such as marijuana use; raise fees)
- ☐ Other?

13. Invest for long-term gain
- ☐ Over-cut to free up funding for investment (in IT, employee development and upskilling, new service models and partnerships) that produce mid- to long-term savings or revenue
- ☐ Develop new services to stimulate local economy and thus mid- to long-term financial gain for agency (e.g., staff small business desk in Development Center to fast-track permits for small businesses)
- ☐ Hire new staff if they create net "profit" or revenue (e.g., new staff to provide IT services or police services to another jurisdiction)
- ☐ Other?

14. Automate and promote self-service
- ☐ Encourage service recipients to provide services for themselves (e.g., self-inspections using city inspection check-list form in certain low-risk situations)
- ☐ Develop self-service kiosks (e.g., for employees to handle HR-related transactions)
- ☐ Use drones to replace staff activities (e.g., fire surveillance in hillside areas)
- ☐ Other?

15. Other strategies
- ☐ Outsource (e.g., utility engineering)
- ☐ Insource (e.g., street tree trimming)
- ☐ Loan on temporary basis employees who are assigned to talent pool to other local governments or non-profits (e.g., loan local government employees to County Public Health Department to do COVID-19 contact tracing or to non-profit in order to serve homeless or high-risk youth); negotiate sharing of cost
- ☐ Create with other local governments a talent pool on regional basis or with just another local government; redeploy where needed non-assigned and qualified employees from pool; new host agency pays for newly assigned employee
- ☐ "Repurpose" some program areas based on Governing Board priorities, develop new service models, and redeploy staff with training and other support (e.g., repurpose service delivery staff to grant-makers to help non-profits or neighborhood groups provide previously delivered city services; repurpose staff to do small business outreach and connect small businesses with government assistance programs)
- ☐ Other?

Dr. Frank Benest
frank@frankbenest.com