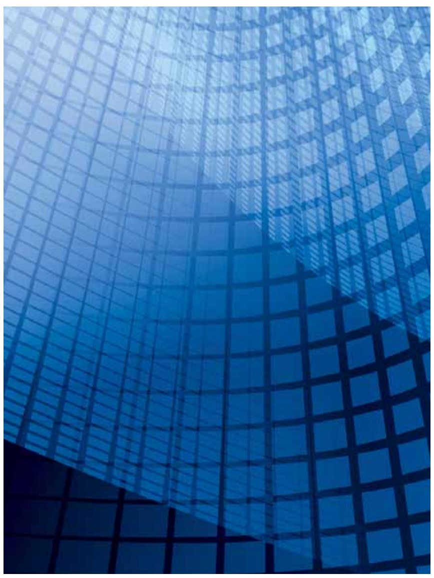
Coping with Crisis: How Are Local Governments Reinventing Themselves in the Wake of the Great Recession?

A POLICY ISSUE WHITE PAPER

Prepared on behalf of the ICMA Governmental Affairs and Policy Committee



December 2011

ICMA

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A white paper prepared on behalf of the ICMA Governmental Affairs and Policy Committee

by Carl W. Stenberg

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The author wishes to express appreciation to 2011 Master of Public Administration graduate Heather Pulitzer for providing valuable research assistance on this paper.

Executive Summary

This paper rests on the assumption that persisting economic hard times will eventually require managers and governing boards to adopt service delivery and budget balancing strategies that go well beyond the typical "business as usual" approaches used in past recessions. While more modest steps will likely be taken initially, as indicated by previous studies, ongoing economic challenges will call for progressively bolder actions. The impact of worsening fiscal conditions, and the extent of the remedial responses, will vary from state to state. While localities with major service responsibilities, large work forces, and inelastic tax bases will likely have experienced "New Normal" conditions before other cities and counties, over time the effects will be more widespread.

A review of 246 stories summarized in ICMA's *News Briefing* issues from April 15, 2009, to April 15, 2011, found three general response patterns to the Great Recession of the 2000s by local governments across the country.

1. The vast majority of the city and county proposals and actions involved expenditure reductions and not revenue-raising. There were a few examples of governing bodies increasing fees for services like trash collection, street lighting, non-resident library access, and after-school recreation. Hiking sales taxes was also considered in a handful of localities. But in most communities managers and elected officials were not inclined to suggest or support revenue enhancement initiatives. The focus was more on downsizing the staff and services in accordance with priorities, demands, and available revenues.

2. Of the four areas in which reinvention strategies were examined—personnel, core services and programs, service partnerships, and restructuring—most of the proposals and actions focused on local personnel. This focus is not surprising given the large proportion of local budgets accounted for by personnel salaries, benefits, and retirement contributions. Perhaps citizen concern about growth in the number of local government employees and related costs, coupled with media coverage of generous pension benefits, job protection agreements, inflexible work rules, and over-staffing by public employees and labor unions in some localities, contributed to this trend. Elected officials and staff are redefining core local services and indicating a willingness to cut back on what were once considered "sacred cow" departments and functions. At the same time, they continue to be reluctant to embark on collaborative partnerships with other jurisdictions and service providers or to consolidate functions or governmental units with neighboring jurisdictions in order to achieve greater economies of scale, efficiency, effectiveness, and equity, and to reduce the size and costs of local government.

3. The severity and impact of the New Normal have varied widely from jurisdiction to jurisdiction. With few exceptions, the number and boldness of the community strategies summarized in the ICMA

News Briefing are associated with the fiscal health of their states. Twelve states experiencing considerable fiscal stress in recent years—Arizona, California, Florida, Georgia, Illinois, Maryland, Michigan, Nevada, New Jersey, New York, North Carolina, and Ohio—accounted for about two-thirds of the cases reported in this research, with California communities being the most frequently covered.

Cities and counties are just beginning to consider strategies for reinventing themselves. At this juncture, the political risks involved in taking bold actions such as core service elimination, expanded interjurisdictional and intersectoral partnerships, and jurisdictional realignment appear to outweigh the perceived rewards. It is likely that as the effects of state budget cuts, reductions in federal discretionary grant-in-aid programs, and property tax revaluations take effect, many managers and elected officials will need to "think the unthinkable" about strategies relative to their service delivery priorities and intergovernmental relationships.

Introduction

Since the arrival of the Great Recession of the 2000s, local governments have been confronted with increasingly difficult policy and program choices in response to declining economies and growing budget constraints. The relatively easy decisions have been made and implemented. These include: salary, travel, and training freezes; across-the-board budget cuts; temporary furloughs and layoffs; vacant position eliminations; fee increases; reserve fund withdrawals; maintenance and vehicle replacement deferrals; and minor service reductions such as library hours. The "low hanging fruit" has been picked, and it is doubtful whether these steps will be sufficient to adjust to the realities of long-term economic decline.

In many communities, managers and elected officials are being challenged to move from a short-term "crisis mode" orientation to begin to "think the unthinkable" about how to deliver services and meet citizen needs. Some observers have called this constrained fiscal environment the "New Normal," in which revenues will not grow at past rates and may decline, cutbacks will likely not be restored, and personnel and payrolls will remain stable or shrink. Downsized local governments will have a smaller functional footprint and expanded partnerships with private and non-profit organizations.[1]

As a result, policies, programs, and practices, which during better economic times would not have been on the agenda, or chopping block, are now being considered. The need for adaptive realignments instead of technical changes to cope with crisis is increasingly being recognized. Among the reinvention strategies under review or in practice are expanded outsourcing to other local governments, non-profit organizations, and private firms; significant cutbacks or elimination of personnel and functions; consolidation of public agencies and services; and the merging of local jurisdictions.

For decades, critics of local government structure and advocates of lean organizations have called for these and other reforms to improve efficiency, effectiveness, and equity, yet little progress was evident. Scholars and practitioners recognized that few if any purely local problems existed and that most solutions ignored boundaries and required transcending approaches. Nevertheless, jurisdiction has remained a powerful focus, especially for local elected officials.[2] There were few political rewards or financial "drivers" to create a sense of urgency for local professionals and elected officials to take action, until the Great Recession. Some public officials have observed that "a crisis is a terrible thing to waste," and that threatening economic conditions present an opportune time to launch strategies to reinvent local government structure, functions, and relationships.

Strategies for Tough Times in the Headlines

The stories summarized in ICMA's *News Briefing* showcase a variety of reinvention strategies that are being considered in communities across the country. The following headlines are illustrative.

- Madison, WI, Mayor Calls For More "Businesslike" Approach To Government
- Maywood, CA, Will Outsource All City Functions
- Oakland, CA, May Lay Off Police, Firemen To Fix Budget Shortfall
- Gross Pointe Shores, MI, Approves Water Contract With Detroit
- Hall County, GA, Considering Merging City, County Fire Departments
- Deltona, FL, Called "A Trendsetter" For Outsourcing Public Safety
- Bedford Co., VA, to Vote on Accepting Private Funds to Build Skate Park

- Louisville, KY, To Take Bids For Third-Party Management Of Park
- Durham, NC, Council Agrees To Consider Unified Government With County
- Indiana Considers Eliminating Township Government
- New York Group Urges Merging Of Three Counties

But are these headline stories rhetoric or reality? Are they isolated examples or emerging trends? Have they been seriously considered and adopted? And if implemented, how have they worked and what lessons have been learned that other communities could benefit from in considering similar reinvention strategies? This white paper will address the first two questions and draw on examples from websites, telephone and email contacts, and other news sources to respond to the third.

Methodology and Limitations

A list of reinvention strategies was developed in consultation with ICMA staff and members of the ICMA Governmental Affairs and Policy Committee. The actions were organized into four groups—personnel, core services and programs, service partnerships, and restructuring—with related initiatives (see Table 1). While the degree of difficulty or boldness varied, these actions typically went beyond traditional responses to severe economic downturn in terms of their impact on the status quo, long-term effects, and political pain. ICMA *News Briefing* issues from April 15, 2009, to April 15, 2011, were reviewed electronically using these key words to identify and classify communities that have considered these initiatives. A total of 246 stories were found.

There are at least six limitations to this research. First, the ICMA *News Briefing* is only one of several electronic sources of information on developments and events at the local level. Other sources include *Governing Daily* and the research reports and websites produced by the National League of Cities, United States Conference of Mayors, and National Association of Counties. It is likely that a review of these sources would reveal other bold strategies.

Second, the reported stories are those considered newsworthy. It is possible that important local proposals or actions were not covered in the media.

Third, the two-year time frame of the research might have distorted the local strategies. For example, the presence of federal economic stimulus funds in municipal and county budgets provided under the American Recovery and Reinvestment Act during this time could have cushioned the fiscal impact of the recession and delayed the development and consideration of more difficult strategies. Similarly, the negative impacts of state budget cuts and reductions in federal discretionary spending on local revenues were only beginning to be fully experienced in 2011, and it could be argued that more time would be needed for the realization of their budgetary implications and the required remedial actions.

Fourth, most of the stories summarized in the ICMA *News Briefing* were proposals by local officials or studies by business groups, "blue ribbon" commissions, and university researchers rather than actions

Table 1 Strategies for Reinventing Local Governments

Strategies by Category	Number of Stories
Personnel*	***96***
Benefit reductions	9
Furloughs	13
Layoffs	60
Pay cuts	13
Reduced work week	8
Retirement incentives	11
Core Services and Programs	***85***
Department and agency elimination/streamlining	30
Position elimination	26
Program elimination	4
Service reduction	25
Service Partnerships	***41***
For-profit organizations	12
Interagency	2
Interlocal	24
Non-profit organizations	0
Volunteers	3
Restructuring	***24***
Form of government change	9
Jurisdictional consolidation/merger/disincorporation	15

* Initiatives do not total 96 due to combinations of personnel-related initiatives.

or decisions. Many of these proposals may never have been enacted.

Fifth, case studies provide glimpses of implementation activities, but the results cannot be considered representative or comprehensive. While public proposal of reinvention strategies is a critical step, time constraints precluded collecting information on the extent to which they have been adopted, the related facilitating and impeding factors, their effects (intended and unintended), and whether innovations and promising practices have been transferred to other local governments.

Finally, the listing of strategies is not exhaustive or authoritative. Scholars and practitioners might disagree with the inclusion or omission of strategies. For example, local bankruptcy declaration is not covered.

The Cutback Management Context

Previous studies of the responses by local governments to fiscal hardship, such as recessions, state aid reductions, and the loss of federal general revenue sharing, have demonstrated the resilience of cities and counties. Among the chief findings from previous examinations of cutback management are:

- First, to balance budgets local governments will rely mainly on spending cuts, with minimal increases in taxes. Most revenue enhancement areas will involve fees.
- Second, to reduce fiscal stress cities and counties will focus on productivity and efficiency improvements, instead of adopting new innovative practices, especially those requiring resource investments.
- Third, the choice of options by managers and policy makers usually follows a budget-cutting hierarchy in which the "low hanging fruit" is picked first (such as short-term and incremental cutbacks and across-the-board budget reductions and spending freezes), followed by increasingly painful actions like permanent position eliminations, furloughs, and layoffs, and significant reductions in services.
- Fourth, after an initial period of cutback pressures mounted to restore the affected services and personnel to previous levels.[3]

The experience of Wilmington, North Carolina, illustrates the interplay of these cutback management approaches. An April 6, 2010, story reported that the Wilmington City Council would support raising property taxes to cover a $5.7 million budget shortfall. According to Mayor Bill Saffo, "reductions in areas other than police and fire aren't possible because of the city's belt-tightening efforts in recent years, including cutting $6 million from last year's budget," but he worried that raising property taxes "without considering spending cuts, including pay cuts for city employees and council members, wouldn't be fair to citizens." Among the "bleak options" considered by the city manager and budget director were public safety cuts, employee layoffs, and a 1 percent pay reduction for all city employees.

A subsequent New York *Times* story on Wilmington's budget plight reported that the property tax increase had failed to generate sufficient revenues to cover the gap in the $85 million 2011 budget, now projected at $6.7 million. The initial cuts had involved reducing hours at public facilities like parks and community centers; deferring equipment purchases; freezing hiring; eliminating employee merit pay; and trimming city retirement contributions. Between 2009 and 2011, the workforce had been downsized by 794 positions, or 8 percent, and the earnings of the remaining employees had shrunk by about 10 percent. Poor morale, fire and police vehicle breakdowns, and equipment failures, and deteriorating street and sidewalk conditions were among the visible casualties of cutbacks.

Wilmington Mayor Bill Saffo, whose goals when he entered politics in 2003 included economic development and regional growth, now "saw his mission as limiting the deterioration of essential services, or at least the public's perception of it."

In his 2011 budget proposal, Wilmington City Manager Sterling Cheatham proposed restoring merit pay and retirement benefits, purchasing police and fire equipment, and bolstering capital project spending, paid for with revenues from the city's reserves or from a 15 percent property tax hike. While sympathetic, the mayor and council members were concerned about the impact of the former on bond ratings and the latter on tax-weary voters. While sales tax revenues were projected to grow slightly, city leaders worried about whether the state legislature's efforts to eliminate a large state budget deficit would include reducing local government financial assistance. They directed the manager to cut his spending proposals and find additional revenues or savings to close the gap.

On June 21, the budget that was unanimously approved included a $1 million draw-down on the reserve fund. The story on that decision highlighted the trade-offs city leaders confronted as "Save or invest? Borrow or pay as you go? When resources are scarce, which essentials become less so?"[4]

Reinvention Strategies

Following are highlights of the reinvention strategies in each of the four areas examined.

Personnel

Of the 246 budget crisis stories reviewed over the two-year time span of the study, 96 (39 percent) involved personnel-related actions to reduce local expenditures and close budget gaps. Managers and elected officials in financially hard-pressed communities appeared to recognize that these cutbacks would be difficult to make and would impose hardships. With regard to services, their city or county would not be able to provide "more for less," as some citizens expected, but instead would deliver "less for less" in many instances. This downsizing sometimes was accompanied by review of collective bargaining agreements and the reopening of negotiations with unions over pay, benefits, staffing, and work conditions. Even popular but expensive functions like public safety and schools were targeted.

Nearly 63 percent of the stories covering personnel involved proposals or actions for layoffs. In nearly all cases the layoffs would be permanent, not temporary, an indication of New Normal conditions. They would be achieved not only through elimination of vacant positions and attrition, but also in many cases by terminations from filled positions. The numbers and percentage of affected workforce varied from community to community, but 5 percent was a common target. A November 10, 2010, story, for instance, reported that the Phoenix, Arizona, city council had eliminated 546 vacant positions without discussion, on city staff recommendation, producing "the smallest government per 1,000 residents in 40 years." In a February 24, 2011, story, Long Beach, California, announced a proposal to cut 500 positions, or 18 percent of the city staff, which would "significantly reduce the scope of our services." Among the cuts were 32 sworn police officers and reduction of fire engine crews from four to three personnel. A March 25, 2011, follow-up story found that privatization "strikes many residents as a harsh political tactic that is meant to remake their community into a national model in the battle over public employee unions." A March 3, 2011, story reported that the Costa Mesa, California, council had voted to lay off 203 employees, about half of its workforce, largely to contain rapidly rising pension debt and to reduce the city's $15 million annual pension expenditure in a total $93 million budget. Reflecting the Council's desire to privatize services, Mayor Gary Monahan said, "'[M]any of the jobs will be outsourced,' specifically citing street sweeping, animal control, and city jail operations." However, on July 6, 2011, a judge ruled that the city could not take action until it complied with a California law requiring local officials to meet with unions prior to making a layoff announcement.

Personnel in certain local operations affected by the Great Recession-induced slowdowns in housing construction and economic development functions, such as planning, licensing and permits, and building inspections, were initial focal points. As the economic downturn continued, other services were put on the table since they accounted for relatively large portions of the local budget. Chief among these were police and fire protection (including both full-time and part-time civilian and sworn officers) and schools (including administrators, principals, and teachers). In an April 30, 2010, story, Syracuse, New York, Police Chief Frank Fowler claimed that reducing his department by 34 positions through layoffs and attrition would produce "chaos" and "devastation," and "the end result would be loss of income that his department raises in fines, people will feel less safe and move from neighborhoods and police overtime would rise."

In unionized jurisdictions, employee representatives were called back to the bargaining table to discuss possible concessions and ways to cushion the impacts of these cost-cutting measures on their membership and the local workforce. For example, in a May 19, 2010, story, Las Vegas, Nevada, Mayor Oscar Goodman said he and the council "asked the four unions for several months to agree to reopen their contracts and give up any automatic pay increases this year in cost of living, merit pay, longevity pay or step increases, plus take an 8 percent cut in salaries and benefits…but none have been willing to give the city the amount of concessions it needs" to avoid cutting 200 city jobs. The unions conceded to a 38-hour, four-day workweek, which went into effect on January 6, 2011. The expected personnel and energy savings were $20–$25 million over two years. In an August 10, 2010, story about Akron, Ohio's, projected $4 million shortfall, which could cause 93 police officers to lose their jobs (using a formula of 23 layoffs per $1 million of shortfall), Mayor Don Plusquellic stated, "There is nothing political or personal in these numbers. It's just the mathematics." He "urged the police union to come to the table and continue discussions about the contract." In 2011, the city laid off 40 police officers.

In 13 of the 60 layoff cases, other personnel actions were included, such as unpaid furloughs, pay cuts, and buyouts and early retirement incentives. These three strategies were the second most often used exclusively in other communities, but they accounted for only 13, 13, and 11 cases, respectively.

Most furloughs reported ranged from 12 to 16 days per year, and in a few cases certain employees were required to take longer furloughs ranging from 21 to 36 days annually. Six of the 13 cities and counties using this strategy exclusively or in combination with others were located in California. With respect to the implications of furloughs, on July 7, 2009, Prospect Heights, Illinois, City Administrator Pam Arrigoni stated: “City Hall will be closed Fridays…and the police department will be closed to the public at all times…to accommodate unpaid furloughs of 24 hours per month for each city employee because of a drop in revenue and the need to trim expenses.” An August 11, 2010, story about Contra Costa County, California, highlighted negative public employee reactions. Sue Guest, president of Professional & Technical Engineers Local 21, which represents about 800 managers and supervisors, stated: “You want us to take 12 days of furlough. That’s over a 6 percent wage cut. That’s unfair.”

In San Rafael, California, on July 8, 2009, Mayor Al Boro announced that “all city facilities will be closed for 13 days due to furloughs…city facilities will be closed the second Monday of every month and on Dec. 28.” In addition, “the city council, the city clerk, the city attorney, management and mid-managers, took a 5 percent pay cut.” Twelve other communities reported pay cut proposals or actions affecting all or some public employees. For key managers and personnel not covered by collective bargaining agreements, the cuts ranged from five to 10 percent, and in jurisdictions where all personnel were affected, the cuts ranged from one to 12 percent.

Buyouts and early retirement incentives were the third most common personnel actions reported in these budget crisis stories. In five of the 11 communities covered, financial inducements to encourage personnel meeting age and longevity minimums to retire were accompanied by layoff announcements. The stories did not indicate whether these incentives were focused on particular departments or were across-the-board, nor did they address the possible impacts of these losses on local managerial capacity or succession planning.

The least-reported strategies were benefit and workweek reductions, accounting for only nine and eight cases, respectively. A December 16, 2009, story on Tucson, Arizona, City Manager Mike Letcher’s proposed 15 percent budget cut reported that he presented four scenarios to balance the budget and “all options include substantial layoffs of some kind, and all city employees stand to lose many of their fringe benefits as well. Those benefits lost could include overtime, tuition reimbursement, sick leave buyback, longevity pay, second language pay and many vehicle and parking allowances.” In addition, employees would be required to increase their health care premium and insurance contributions. “Hundreds of firefighters and police officers mobbed City Hall before the council’s discussion” and about 500 citizens attended the meeting. In a December 18, 2009, story, as an alternative to laying off 11 percent of the city’s workforce to meet a budget shortfall, Reno, Nevada, Mayor Bob Cashell said he supported moving city employees to a 32-hour work week “if it can keep people employed and with health insurance and benefits.” The council opposed this move, and 146 employees (including 45 police and 43 fire personnel) were laid off and three fire stations were closed in 2011.

Initially, moving to a four-day workweek, with offices open from 7 a.m. to 6 p.m. Monday through Thursday, for example, appeared to be an appealing and relatively easy way to reduce energy costs. This schedule also would make it more convenient for citizens to come to city hall or the county courthouse before or after their normal working hours. A June 17, 2010, story reported that Riverside, California, had moved about one-third of its workforce to a four-day/10-hour-per-day schedule, producing “a 10 percent drop in electricity usage, an 11.5 percent drop in water consumption, and a 1 percent decline in natural gas usage in county offices.” However, on closer examination some communities found that not all offices could be closed one day a week, limiting potential savings. In a May 5, 2010, story, Alachua County, Florida, County Manager Randall Reid said there were “no energy savings” because the “staff of constitutional officers who work out of offices on the first floor of the County Administration Building could not close up shop on Fridays.” These included staffs of the tax collector, sheriff’s office, and supervisor of elections. Nevertheless, a one-year trial four-day workweek for other departments was launched, with anticipated energy savings of $42,000. Other communities rejected a four-day workweek for school personnel proposal because it reduced student class time and teacher-student contact hours.

Even though some localities reported that their current pension obligations were unsustainable, action on retirement reform was rare. An indication of the severity of the situation was an October 27, 2010, story about Lynchburg, Virginia, which contributed about 23 percent of its payroll to the state retirement system. Councilman Jeff Helgeson stated he hoped "we can address this with full force and vigor" and that the city "is already pouring money into the program by the bucketful and its burden will only increase with time."

In summary, the emphasis on personnel reductions during the period of 2009 to 2011 is not surprising. Salaries and benefits account for the bulk of local general fund expenditures, and until the Great Recession, the size of the workforce, payrolls, and health care and retirement contributions had been steadily rising. These cuts also could be made relatively quickly and produce sizable budgetary savings, probably without generating many citizen complaints. Yet, while recognizing that personnel reductions would be painful, the long-term effects did not receive much attention in the stories. For example, how will the public react to closed facilities, longer lines, less customer service, and other consequences of reduced local staffing? Who will be required to participate in targeted pay cuts or furloughs (positions or salary ranges) and what are the social equity considerations? And how will lost city and county managerial capacity be rebuilt in the New Normal environment?

Core Services and Programs

Closely related to the personnel initiatives that have been proposed and taken in response to the Great Recession are actions affecting local services and programs. The reduction in staff capacity through layoffs and furloughs had ripple effects on service delivery. In some communities these impacts were targeted at particular services, while in others they were more across-the-board. This section focuses on four downsizing strategies: departmental reorganization, including elimination, structural merger, and administrative streamlining; position elimination; program elimination; and service reduction. Overall, these strategies were the second most prevalent, accounting for 85 (35 percent) of the stories reported over the two-year period examined. The most common approaches were departmental reorganization (30 stories), position elimination (26 stories), and service reduction (25 stories).

Budget constraints caused managers and elected officials to probe the structure and operations of local departments to find cost savings by coordinating or combining related services. The affected activities included transportation and traffic control, community and human services, public works, planning, zoning and adjustments, information technology, and parks and recreation. A few communities considered merging functionally related units, such as moving police, fire, and emergency medical services under a public safety umbrella. Westchester County, New York, officials proposed one of the most ambitious functional consolidations, calling for reducing county offices and departments from 36 to 19 and cutting 51 staff positions, producing an estimated $7.5 million in savings (December 10, 2009). The proposal was approved in 2010. Another dramatic step was taken by Onslow County, North Carolina. Effective July 1, 2009, 12 departments were merged into three units: the Operations Department (information technology, vehicle maintenance, solid waste, airport, environmental services, maintenance, and elections); Cultural Services Department (library, museum, and recreation); and the Citizen Services Department (senior services, veteran's services, home, health, and hospice, and cooperative extension). Onslow County Manager David Smitherman reported: "…There's no level of our organization that isn't affected…it's a new way of doing business…we had to let go of some positions that were not part of the new organizational scheme and mission and we had to restructure some of our day-to-day operations." Smitherman predicted some residents "can expect improved customer service" in some departments and declines in others that do not "have the staff needed for the number of clients we're seeing" (May 28, 2009).

With respect to the rationale for agency merger, Manatee County, Florida, Administrator Ed Hunzeker described his proposal to consolidate the planning and building departments into one unit and to move the Agriculture and Resource Conservation Department into the Community Services Department as "a step in the process of organizing the government before we reduce the government" to "figure out how we could do more with less" (February 17, 2011).

Position elimination was a second strategy affecting delivery of local services aimed at, as Hernando County, Florida, County Administrator David Hamilton put it, "more management, less managers" in the wake of shrinking 26 county departments and constitutional offices to 14 (August 6, 2010). These reductions were made in both unfilled and occupied positions and involved line and staff positions. The latter included deputy and assistant positions in the manager's office, as well as the clerk and directors of units like human resources. In Chatham County, North Carolina, the board of commissioners voted to eliminate two positions: director of the Office of Human Relations and director of the Department of Sustainable Communities, both of which were occupied (January 14, 2011). In Orange County, Florida, as a way of flattening the organization, enhancing efficiency, and promoting accountability and transparency, Mayor Teresa Jacobs launched a reorganization plan that featured elimination of the position of head of public safety together with one deputy county administrator and two assistant county administrator positions (January 28, 2011). They were replaced by a chief accountability officer, Office of Public Engagement, and ombudsman.

As noted in the previous section, core services such as fire and police attracted attention from budget-cutters in some communities. A consultant's report to West Palm Beach, Florida, officials concluded that 52 firefighters could be fired (about one-quarter of the department) "without compromising safety," provided that the work week of the remaining personnel would be extended from 48 to 53 hours (September 1, 2009). As a result of cost-cutting actions, two firefighters are now assigned to a fire truck instead of three. In Lawrence Township, Indiana, elected officials zeroed in on fire department salaries. According to Trustee Russell Brown, there were two options for closing the budget deficit: "We can have less people and pay them the same or we can have the same amount of people and pay them less." Fire Chief Michael Blackwell responded that "firefighters are shocked by the pay cut option but they prefer it to the alternative." They were advised to avoid "making any major purchases or refinancing their homes" (October 7, 2009).

In addition to structural streamlining and position elimination, reductions in services were common. The three functional areas most often considered were libraries; parks and recreation; and police, fire, and ambulance services. Cutbacks in the latter area included curtailing minor issue responses, closing facilities, and increasing response times. The Wheaton, Illinois, police department, for instance, told citizens "in order to retain core services it will no longer respond to minor car accidents on private property. Nor will police be available to jimmy open your car door after you've locked your keys inside, or provide an officer to teach in the school anti-drug program" (May 1, 2009). Other affected areas were street lighting, street paving, and bus services. Some of the effects were highlighted in a September 17, 2009, story about the budget of Lee County, Florida: "shaggier roadsides, shorter library and park hours, and dimmed—if not darkened—street lights." In Indianapolis, Indiana, to cover a $4 million budget shortfall, the library system reduced hours of operation and took more drastic steps. Library spokesperson Jon Barnes reported, "This will be the first time that the Central Library has closed down one day a week, and …more of the library's 22 other branches will be closed two days a week" (September 16, 2010). In 2011 the city restored hours for over half of the branches.

In some areas, operational cuts were made to free up resources to cushion or restore previous reductions in other areas. In Mecklenburg County, North Carolina, for example, the Charlotte-Mecklenburg Library Board closed 12 library branches and laid off 148 employees, about one-third of the staff (March 19, 2010). One year later, a Mecklenburg County Future of the Library Task Force recommended closing six other library branches to bolster staffing at the county's six regional libraries that were previously cut (March 3, 2011). Funding for the library system was restored in the 2011 budget, enabling the branches to be reopened, hours extended, and 50 new personnel hired.

Finally, relatively little attention was given to outright program elimination. Only four of the 85 stories relating to services involved this step. Two communities eliminated bus services (one for schools), one eliminated human services programs, and one eliminated after-school recreation programs.

In summary, local government responses to the Great Recession involved a three-step hierarchy of reinvention difficulty, beginning with a range of personnel cutbacks, then reorganization of departments and agencies, and then position eliminations and service reductions. Although most of these actions might not be considered bold strategies, they have likely been uncomfortable to present and painful to implement. For example, reacting to the proposal by the mayor of Seattle, Washington to cut six of 13 district coordinators in the Department of Neighborhoods, District Coordinator Tim Durkan, calling himself "the feet on the street," said: "If I lose my position, a connection of citizens with city government is lost. I'm out there, reporting directly to the community" (November 5, 2010). As the economic decline persisted, and the relatively easy cutback options had been exhausted, core services and personnel were placed on the table in many communities. At this juncture, the most prevalent approach has involved paring levels or quality of services rather than eliminating complete programs. It is too early to discern stakeholder responses, as well as whether local staff and citizens will seek to restore these cutbacks once economic conditions improve.

Service Partnerships

As noted earlier, there are few, if any, purely local problems that cities and counties have the authority and ability to address without financial assistance, additional regulatory or legal empowerment, or administrative cooperation from other governmental units. As problems and needs have spilled over boundaries, interlocal and intersectoral approaches have been common responses. It could be expected that the financial pressures on local governments resulting from the Great Recession would significantly increase reliance on these strategies. It might also be reasonable to assume that one of the bold steps would involve regional service delivery arrangements that could realize greater economies of scale, administrative efficiencies, and social equity than conventional uncoordinated and limited approaches.

Forty-one stories about service partnership arrangements were reported during the two years surveyed, or about 17 percent of the total. More than half (24) involved interlocal agreements, sometimes among municipalities but chiefly between counties and cities. In one case, a state agency was involved. To save an estimated \$3 to \$5.5 million in a \$28 million budget, the city manager of San Carlos, California, proposed outsourcing fire protection services to the state or a private company and police services to San Mateo County (March 9, 2010). Subsequently, the police transfer was approved, saving \$2 million, but the fire partnership negotiations, involving \$1.7 million in projected cost-savings, were shifted to the nearby city of Redwood City after opposition arose to the state agency and private firm options.

Another 12 arrangements involved contracting out services to private firms. No stories of outsourcing to non-profit organizations were covered, and only three focused on the use of volunteers to provide former local services like parks (softball and soccer programs, maintenance), animal control, and museum and library staffing. Within individual jurisdictions, only two instances of interdepartmental partnerships were covered, involving personnel, purchasing, and information technology collaboration, and photocopying, printing, and payroll processing.

The most prevalent partnership approach, interlocal contracts and joint service agreements, covered a wide range of areas. These contracts are the oldest and most popular tools for intergovernmental cooperation at the local level, so this finding could be expected. Fire and police were the most commonly affected functions (in a total of 10 communities). Other contracted services were emergency dispatch and response, water development, wastewater operation, health clinics, wireless communications, libraries, and transit.

While in a few cases special districts or public authorities were under consideration as the vehicles for delivering these services, few innovative regional partnerships were reported. One example was reported in a January 8, 2010, story featuring a five-year plan developed by Middlesex County, New Jersey, Freeholder Director Christopher Rafano, who said the goal was "to improve efficiency in county and municipal government, focusing in part on regionalization of services," including regional property tax assessments and collection. A September 15, 2010, story covered "a rare unifying force," an agreement among 13 of the mayors in Fulton County, Georgia, to support a one cent sales tax for regional mass transit, provided that three neighboring counties also would support the levy. A decision has been postponed to 2012 in order to build support for the tax hike initiative. Another story reported that some of the larger cities adjacent to Grand Rapids, Michigan, members of the Grand Valley Metropolitan Council, were considering plans to consolidate services like police, fire, and public works to "ensure equity and quality." According to Grand Rapids City Manager Greg Sundstrom, "the consolidation discussions underway now 'will shock you at the level, the magnitude of regional consolidation we're looking at'" (October 13, 2009). Examples of such collaboration since 2010 include a 1500-acre park built by four cities, a medical response unit shared by six cities, and a dispatch center operated by two cities.

A number of counties and cities indicated interest in outsourcing services to for-profit firms. Candidates included an array of functions like garbage collection, recycling, fleet management, nursing homes, mailroom functions, water system, wastewater collection and treatment, street and sidewalk maintenance, and arts centers. Some communities indicated interest in greater competition between their staff units and contractors for service delivery responsibility. San Diego, California, Mayor Jerry Sanders presented a plan to "pit municipal street sweeping, public utilities and street and sidewalk maintenance teams against the private sector through 'managed competition' to see what cost savings may be found" (January 14, 2011). These functions accounted for \$18.8 million and 134 full-time workers. On the other hand, two New

York *Times* stories reported in the ICMA *News Briefing* raised doubts about privatization. A December 4, 2009, article covered a dispute over whether California municipalities should rely on private firms to operate sewage plants, in which proponents cited cost savings and opponents expressed concerns about oversight, higher costs, and poorer service. A June 5, 2009, article called privatization "a boom that wasn't," citing "widespread complaints about poor service and rising parking rates" resulting from Chicago's $1.2 billion turnover of 36,000 parking meters to a private firm.

One of the most ambitious outsourcing efforts was undertaken by Maywood, California. An August 1, 2009, story indicated that the city had laid off nearly all of its 96 employees, partly due to liability and worker's compensation insurance issues. Maywood's leaders intended to outsource all city functions, turning to the Los Angeles County Sheriff's Department for law enforcement and the neighboring City of Bell for other services like finance, records management, parks and recreation, and City Hall staffing. The plan to outsource law enforcement to the county was implemented, but allegations of public official corruption in Bell led to cancellation of these arrangements. Maywood is investigating other provider arrangements, including outsourcing fire protection services, libraries, and animal control to Los Angeles County, and water, utilities, and engineering to private firms.

Restructuring

As would be expected, the fewest number of proposals and actions were found in the restructuring category. Only 24 stories reported on initiatives in 16 states to make local governments more efficient, economical, and effective through city-county or city-city consolidation, downsizing the governing board, or changing the form of government. While a few of these proposals were state initiatives, most originated with local elected officials, sometimes in response to a university study or blue ribbon commission report, or to calls from the business community to reduce the confusion, waste, and duplication of effort inherent in jurisdictional fragmentation and overlapping.

With respect to state initiatives, in recent years, at least four governors (Indiana, Maine, Michigan, and New Jersey) have criticized the structure of their local government system and proposed that the legislature enact bills to eliminate non-viable units like townships, rural school districts, and small general purpose local governments; significantly reduce state aid to these units; or strengthen and streamline counties. In a March 29, 2011, story, Michigan Governor Rick Snyder said that with "nearly 1800 separate cities, villages, and townships stretched across 83 counties, consolidation seems way overdue," and indicated that he would support legislation allowing local governments to set up with metropolitan authorities, subject to voter approval. Like locally-initiated proposals, these gubernatorial actions proved politically unacceptable. In response to Governor Snyder, Wayne County Executive Robert Ficano said, "I just think it's unreasonable to think such a large merger would be even feasible at this point." In Indiana, a December 1, 2010, story reported that the Farm Bureau had expressed its opposition to Governor Mitch Daniels's legislative initiative to overhaul local government, which would have replaced three-member boards of county commissioners with a single county executive and eliminated townships, thereby removing more than 5,000 elected officials.[5]

State legislatures also have considered restructuring mandates and incentives for local governments, as illustrated in two stories summarized in the ICMA *News Briefing*. A June 4, 2009, New York *Times* article reported that the New York State Senate had passed a bill to simplify laws relative to how voters can dissolve or merge general and special purpose local units. The bill reduced the number of signatures required on a consolidation petition to 10 percent of the registered voters and authorized counties to abolish other local units within their boundaries, with majority support of affected residents. In Pennsylvania, an August 18, 2010, article in the *Free Press Courier* described a House bill that would sort out functions by giving counties responsibility for all local government services and empowering them to assign specific duties to municipalities. Among the political hurdles the bill faced was a provision that voters would need to approve a state constitutional amendment to implement the legislation.

Of the total cases, 14 (54 percent) involved city-county consolidation and one involved city-city consolidation. Only one proposal was voted on, involving a planned Metro Government charter for Shelby County, Tennessee. When asked whether they favored merging Memphis City Government and Shelby County Government, 51 percent of the city voters said "yes" but 84 percent of the county voters said "no." In a December 7, 2010, story, Shelby County Commissioner Steve Mulroy said he believed "most voters just didn't understand the issue of consolidation." This outcome is consistent with most other consolidation votes across the country. In other stories, such as Las Vegas and Clark County, Nevada; Cincinnati and Hamilton County, Ohio; Salisbury and Wicomico County, Maryland; Albany and Dougherty County, Georgia; and Chattanooga and Hamilton County, Tennessee, local officials argued that consolidation would eliminate duplication of services, save taxpayer dollars, increase accountability, and reduce buck-passing. For example, in supporting a merger with Cincinnati, Hamilton County, Ohio, Sheriff Simon Leis, County Commissioner Todd Portune, and County Commissioner Greg Hartmann were featured in a September 21, 2009, story asserting that efficiencies would be produced by creating a "meta-city" with a single police and fire department, merged prosecutorial staffs, and one 911 system. The proposed merger was not approved in 2011. In the case of the City of Albany and Dougherty County, Georgia, "two main issues dominated the discussion: whether county voters would be able to have their voices heard adequately, and how much money, if any, the move would save the taxpayers…" (August 25, 2009). Following a study that found possible cost savings from consolidation, a committee drafted a charter and redistricting plan that were sent to the Georgia General Assembly with support from a majority of the city council (the county governing body voted 3-3). While the House of Representatives approved a local bill to authorize a referendum on the charter, no action was taken by the Senate during the 2009 and 2010 sessions to pass the legislation.

Business leaders also have supported jurisdictional mergers. A November 18, 2010, story on proposals to combine the city of Evansville and Vanderburg County, Indiana, quoted Steve Schaefer of the SW Indiana Chamber of Commerce that a benefit would be "having a one-stop shop for planning where businesses can go that are looking at an area, they only have to talk to one executive, one legislative body, that's something that we want to strive for. We feel that unified government can give us that advantage over other communities that aren't merged.…Merger by itself doesn't save a whole lot of money, but when you have a merged system the efficiencies and the cost savings that can occur over time will provide cost savings long term." Nevertheless, business community support has not been sufficient in most cases to overcome voter opposition to consolidation. The Vanderburg County commissioners voted to approve the merger, which excludes township governments, a town, and the city-county school and library units, as did the Evansville City Council, and citizens will cast their vote in a November 2012 referendum.

With respect to the city-city consolidation, a November 24, 2009, story covered a study of the benefits of merging Mankato and North Mankato, Minnesota. Most of the $2.2 million in estimated savings would come from upper and middle managers who would lose their positions. North Mankato officials had opposed previous merger initiatives. The story reported, "'North Mankato City Administrator Wendell Sande said he hadn't yet read the report and would have no comment even if he had,' while 'Mankato City Manager Pat Hentges stressed the analysis did not aim to judge the financial superiority or leadership of either city.'" The proposal has not been voted on by either governing body.

In other restructuring initiatives, eight communities proposed making their government more efficient by reducing the number of elected officials or changing their form of government to a council-manager or strong-mayor council system. Salisbury, Maryland, leaders debated the benefits of switching from a mayor-council to a council-manager form of government ("financial prudence through expertise") compared with consolidation with Wicomico County ("streamline city and county approval of development projects") and decided to table the latter (September 8, 2009).

Accountability was also a factor driving restructuring. In Colorado Springs, Colorado, a local developer led a successful effort seeking to replace the city manager with a strong mayor, commenting: "Is there any one person that you would say is accountable for what happens at city government, and I don't think we've got that right now" (March 4, 2010). The change produced more than $100,000 in annual salary savings. In November 2009, in the wake of economic decline and police corruption, Cuyahoga County, Ohio, voters approved a proposal to replace three commissioners with an elected executive and 11-member governing board and to eliminate the auditor, recorder, and sheriff. These changes were aimed at creating "a more efficient, transparent and accountable government that would make economic development a priority" (November 4, 2009).

In summary, jurisdictional consolidation remains an unpopular restructuring option even in hard economic times. Good government groups, the business community, and local officials can promise economies of scale, administrative efficiencies, and taxpayer savings resulting from mergers. However, research shows that existing consolidations have produced unimpressive results on the efficiency, economic development, and equity fronts.[6] Voters usually do not agree that "bigger is better." Distrust of distant government, parochialism, and racial, economic, and political polarization are among the factors that trump pro-merger campaign arguments. Perhaps if local fiscal conditions significantly worsen, consolidation will gain some appeal, but formidable political obstacles remain in the path of reformers.

Conclusion and Implications

This review of local responses to the Great Recession of the 2000s suggests that from 2009 to 2011, cities and counties were just beginning to consider strategies for coping with crisis by reinventing themselves. Clearly, the relatively easy cuts were made early in the economic crisis, and more difficult choices were now on the table. So far, most responses could be labeled conventional and incremental, instead of part of a bolder, more innovative and comprehensive approach. Even communities in fiscally hard-pressed states focused on solutions that were relatively low risk, whether it was to avoid raising revenues or unwillingness to make fundamental changes in local functions, relationships, and structures. Some core services like police and fire witnessed personnel and service cutbacks, and other popular functions like libraries, parks, and recreation have been pared. At this juncture, however, it does not appear that the Great Recession has fundamentally altered the scope, quality, or delivery of services in many communities, nor has it changed the local jurisdictional or intergovernmental landscape.

Managers and elected officials have worked hard and often successfully to adjust to New Normal conditions. Some could be suffering from "budget-cutting fatigue," as revealed in communities monitored by the Alliance for Innovation. While their approach since the onset of the recession has been characterized more by reaction and reduction than by innovation and investment, this could change.[7]

More demanding challenges calling for consideration of more dramatic changes could lie ahead for local leaders. One possible driver could be major state budget cuts to local programs, cost-shifting, and local revenue-raising authority restrictions. Another could be significant reductions in federal discretionary grant programs like housing and community development and community-oriented policing services. And in many communities, with continued softness in housing values property tax revaluations could reduce the size of the local tax base. As Ellis Hankins, executive director of the North Carolina League of Municipalities observed: "There's a potential…for local elected officials to have to pick up more of the burden and increase the taxes to pay for more public services." An April 2011 article in *Governing* magazine called this trend "devolution by budget cut," or "fend-for-yourself localism."[8]

If these tough challenges materialize, what are the implications for city and county managers and elected officials? What can local officials do to cope with the next wave of economic crisis? At least three pragmatic steps could be taken.

First, more aggressive use of boundary-spanning tools could be helpful. Building on informal "weak ties" between elected officials and professionals in neighboring communities, expansion of services delivered in whole or in part through interlocal contracts and joint service agreements could yield greater economies of scale and efficiencies. These tools are among the oldest and most commonly used ways for localities to collaborate on service delivery. Relying on existing regional bodies like councils of governments to study potential cost-savings resulting from such service-sharing and to facilitate negotiations could also be beneficial. And outsourcing appropriate services to non-profit organizations and private firms is an option that could command greater attention in the future.

Second, especially fiscally hard-hit communities could consider moving beyond service-sharing arrangements to functional transfer or consolidation. While this strategy has often been opposed by employees who might lose their positions or experience pay or benefit reductions, as well as by community stakeholders who are concerned about diminished service quality or inequitable cost-sharing arrangements, the pay-offs could be considerable to participating communities. Some communities are already targeting high-cost services like police and fire protection as candidates for position cutbacks, but transfer or merger could be viable options. Possibilities for sorting out service delivery and financing responsibilities between state agencies and county governments also could be explored. In short, local officials could maintain service levels and contain or reduce costs by both "thinking regionally and acting regionally."

Third, while varying widely across the country, relationships between local and state governments could become more critical to successfully coping with economic crisis. Even in home rule localities that are authorized to exercise discretion over structural, functional, and personnel matters, cities and counties still depend on the state for financial assistance, sharing of functional responsibilities, authorization of revenue sources, and relief from burdensome mandates. Investing time in building or rebuilding relationships with the legislature and executive branch and in identifying partnership opportunities could prove to be worthwhile intergovernmental liaison tasks for both managers and elected officials.

For now, hard economic times do not seem to be driving leaders to "think the unthinkable" about the future size, shape, and services of local government or to launch bold and creative strategies to reinvent themselves. The story could be quite different in a few years.

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