The Current Crisis and the Next Economy,  
Part II: Creating Change in Crisis

Overview
How are mayors using the fiscal crisis as an opportunity to enact new approaches to service delivery while balancing the budget?

Materials


City of Denver CO. 2010 Budget Citizen Feedback.


“Efficiencies & Service Enhancements for FY09 and FY10 Budget.” City of Philadelphia.


“Reducing Health Insurance Costs,” American City and County, December 2009.


“Easing the Local Government Squeeze,” Political and Fiscal Crisis Conference, December 2002


Speakers

Chris Hoene is the Director of the Center for Research & Innovation at the National League of Cities. He oversees NLC’s efforts to research, identify and share innovative city practices and trends. His areas of expertise include local and state public finance, federalism, and local government structure. He is co-author of NLC’s annual report on City Fiscal Conditions and other NLC reports, has published in a variety of journals and professional publications, and serves as regular media resource. Previously, he was with the Center on Budget and Policy Priorities in Washington, DC and the Public Policy Institute of California in San Francisco, California. He holds an M.A. in public policy (1996) and Ph.D. in political science (2000) from Claremont Graduate University in Claremont, California, and a B.A. in Political Science from the College of Idaho in Caldwell, Idaho. He is originally from the states of Idaho and Washington and before moving to D.C. spent seven years living in California.

Mark Muro, a fellow and the director of policy at the Metropolitan Policy Program at Brookings, manages the program’s public policy analysis and leads key policy research projects. Mark’s most recent publications include: “Fiscal Challenges Facing Cities: Implications for Recovery;” “Implementing ARRA: Innovations in Design in Metropolitan America,” and “Metro Potential in ARRA: An Early Assessment of the American Recovery and Reinvestment Act.” Previous to those releases Muro published “Energy Discovery-Innovation Institutes: A Step Toward America’s Energy Sustainability” and “MetroPolicy: Shaping a New Federal Partnership for a Metropolitan Nation.” Mark was also a co-author with Rob Lang of the 2008 Brookings report, “Mountain Megas: America’s Newest Metropolitan Places and a Federal Partnership to Help Them Prosper.” Each of these represents a key element of the metro program’s Blueprint for American Prosperity initiative, the policy series and policy development of which Mark has led. Mark is also the author of such recent publications as “Reconnecting Massachusetts’ Gateway Cities: Lessons Learned and an Agenda for

Prior to joining Brookings, Mark was a senior policy analyst at the Morrison Institute for Public Policy at Arizona State University. He has also been a staff writer for *The Boston Globe* and an editorial writer for *The Arizona Daily Star*. He holds a bachelor’s degree from Harvard College and a master’s degree in American studies from the University of California, Berkeley.

Mark is also a member of the Citistates Group, a network of journalists, speakers and civic leaders focused on building competitive, equitable and sustainable 21st century metropolitan regions.

**Michael A. Nutter** was sworn-in as the 98th Mayor of Philadelphia on January 7th, 2008. Mayor Nutter is a native Philadelphian with an accomplished career in public service, business and financial administration. He served as a Philadelphia City Councilman for nearly 15 years representing the city’s Fourth District encompassing the communities of Wynnewood, Overbrook, Roxborough, Manayunk, East Falls, Mt. Airy, and parts of North and West Philadelphia.

During his time in Council, Michael Nutter engineered groundbreaking ethics reform legislation and led successful efforts to pass a citywide smoking ban. He worked to lower taxes for Philadelphians and to reform the city’s tax structure, to increase the number of Philadelphia police officers patrolling the streets and to create a Police Advisory Board to provide a forum for discussion between citizens and the Police Department. In June 2006, Michael Nutter resigned his City Council seat and in July 2006 he announced his intention to run in Philadelphia’s mayoral election. His campaign focused on four key areas: crime, education, job creation and ethics reform. He won the Democratic nomination in a five-way primary election with 37% of the vote and on November 6th, 2007, was overwhelmingly elected Mayor of the City of Philadelphia with 83% of the vote.

Mayor Nutter grew up in West Philadelphia at 55th and Larchwood Avenue, where he lived with his parents, sister and grandmother. He received an academic scholarship to St. Joseph’s Preparatory High School, where he graduated in 1975. He enrolled in the University of Pennsylvania, and graduated from the Wharton School of Business in 1979. Mayor Nutter serves on the Board of City Trusts, managing the City’s charitable assets, supporting institutions such as Girard College and Wills Eye Hospital, as well as administering public school scholarship funds. Before pursuing his career in public service, Mayor Nutter worked as an investment manager at one of the nation’s leading minority-owned investment banking and brokerage firms.

He resides in Wynnewood with his wife, Lisa, and daughter, Olivia, who attends a Philadelphia Public School. His son, Christian, lives and works in New Jersey. Mayor Nutter is a member of the Mt. Carmel Baptist Church in West Philadelphia.
Larry Morrissey was elected Mayor of Rockford on April 5, 2005 at the age of 35. Morrissey’s course to the Mayor’s office followed an unconventional path. He ran and was elected as an independent candidate. Morrissey held no political office prior to the Mayor’s office, but he had been active in numerous grass-roots organizations and neighborhood groups.

Prior to becoming Mayor, Morrissey’s professional career involved practicing law in the area of civil litigation and leading his family’s urban real estate development efforts. He is professionally licensed to practice law in both State and Federal courts in the State of Illinois and is a member of the American Bar Association, the American Association for Justice (formerly the American Trial Lawyers Association), the Illinois Bar Association, the Illinois Trial Lawyers Association, and the Winnebago County Bar Association.

The Mayor currently serves as a Board Member and a Presidents’ Circle Member for the Rockford Area Economic Development Council, a Board Member of Community Collaboration, Inc. (CCI), and is a CEO Member of the Workforce Investment Board. He is a Municipal Member of the Metropolitan Mayors’ Caucus, the Northern Illinois Mayor’s Association, the Midwest High Speed Rail Association, the Congress of New Urbanism (CNU), and the International Council of Shopping Centers (ICSC). He is the Directing Member of both the Mayor’s Youth Advisory Council and the Mayor’s Minority Advisory Council, a Policy Committee Member of the Rockford Metropolitan Agency on Planning (R-MAP).

Mayor Morrissey’s agenda for the City of Rockford includes a strong emphasis on job creation through improving Rockford’s education system, improving public safety, and making core investments in Rockford’s infrastructure; what he refers to as the four R’s: roads, rail, fiber optic ring and riverfront development. Mayor Morrissey has an aggressive and inclusive leadership style, working through neighborhood groups and inviting public participation to improve the City of Rockford.

Mayor Morrissey lives in Rockford’s historic Haight Village in a renovated Victorian home with his wife Stacy, stepdaughter Seanna, and their baby daughter, Sophia Marie
I think the ideas suggested by my colleague Bill Galston [below] are all very sound. But let me elaborate a bit. During the 1970s, I was the Director of the National Commission for Employment Policy and lived through the entire experience with the New Jobs Tax Credit of 1977-78 and public service jobs under CETA. The problem with these approaches, as almost everyone knows, is that some of the money gets used to pay businesses or local governments to do what they might have done anyway. Still, most of the evidence from that earlier period was that both of these policies—one aimed at jobs in the private sector; the other at jobs in the public sector—had a net positive effect, creating more jobs per dollar spent than general stimulus. Public service employment programs also provided valuable government services. Despite complaints about “leaf-raking boondoggles,” administrative hassles and possible misuse of such funds, if there were ever a time to maintain public services, if not to increase them, the moment is now. Plus, funds sent to states and communities will be spent relatively quickly and will help to stop the downward spiral associated with government belt tightening.

Here’s another idea that merits serious consideration: providing help to the nonprofit sector. By including this sector in a jobs program, with state and local governments, we can take advantage of a huge network of institutions that work hard every day to improve the welfare of communities and individuals, that will also spend the money quickly, that have the capacity to spread the dollars widely, and that in the absence of such help, will need to shrink and thus become another drag on the economy. In an earlier commentary, I described in more detail, how temporary assistance to this sector might work, but other ways should also be examined.

My final idea for helping the economy recover and grow is to make any future extensions of unemployment benefits conditional on individuals either accepting a low-wage job (making them more
attractive to employers but allowing them to collect partial unemployment benefits) or enrolling in community college training program so that they can qualify for higher-skilled jobs once the economy recovers. Many other advanced countries have used shorter work weeks combined with unemployment benefits as a way of preserving jobs. Although this approach is not problem-free (for example, it may retard needed market adjustments and the reallocation of resources), it has the benefit of keeping more people employed and productively occupied through what may be a very long recession.

CDBG: Right for a crisis?

Mark Muro, Fellow and Policy Director, Metropolitan Policy Program

Before we create jobs we have to preserve them, and one place we’re in danger of losing them is in local government, where increasing local fiscal stress—as detailed in a recent paper I co-authored with Chris Hoene of the National League of Cities—threatens to produce significant lay-offs and delayed projects in the next year.

What to do? How about let’s run some emergency money through the Community Development Block Grant, that familiar workhorse of community aid to localities.

I know, I know: CDBG—a flexible program that provides communities with resources to address development needs particularly in urban or struggling locales—is in many respects a program federal bureaucrats and auditors love to hate. Such arbiters have a difficult time holding the program accountable since there is so much flexibility and local variation in how funds are spent. Consequently, Team Obama has also been cool to the program, with many observers suspecting that CDBG was a target of “Sheriff Joe” Biden’s March memo to federal agency heads warning against the funding of “imprudent” projects with stimulus money.

And yet, it could be that the very characteristics that make CDBG a reviled program in good times (longstanding existence, great flexibility, direct local allocation, very broad but small-bore reach) make it a solid counter-cyclical job creation measure for metropolitan America.

Think about it. That CDBG is an existing formula program that has been around for a while means it is well understood by federal, state, and local governments and staff and can work smoothly and fast. That it’s flexible means it may allow local ingenuity to get money into job-creation quickly. And meanwhile, its breadth and orientation to urban and struggling communities means it can expedite resources to many of places and types of people that need help most. For all of these reasons, then, it may well be that a pulse of CDBG funding might well be as good a bet for near-term job creation as any of the other emergency measures being banded about this month, whether it be direct temporary aid to cities, a public service employment program, or a fast-track transportation bill.

Nor is this just an opinion. As it happens, the nation is in the midst of a heavily monitored field test of federal programs’ job impact. That test is also known as the Recovery Act, and the act provides $1 billion to fund CDBG awards the impact of which we can study. What, then, do the job-production numbers at
Recovery.gov’s accountability pages say about how CDBG is performing? Well, a quick drill-down using the value of various CDBG awards, the number of recipients, and the job results reported to federal authorities finds that, sure enough, CDBG is performing admirably—or more than admirably. According to the government’s information, CDBG is being actively utilized to build a community building in Tucson; renovate a library in Elizabeth, NJ; install storm drains and update streetlights to LED lighting in San Jose; and fund improvements to a microbusiness enterprise center in Albany, GA. Going deeper into the government’s giant spreadsheets, we find that some 824 CDBG grants traceable in the database are delivering a job for every $7,000 of federal outlay while for the rest of ARRA’s programs jobs are resulting at the rate of one for every $56,000 spent. That’s pretty good, and what’s more, the program’s efficiency seems to be corroborated by a similar analysis of 2005–2008 grants made through the regular budget cycle. The bottom line: CDBG may not be cutting-edge but it generates jobs effectively while delivering valuable projects to distressed places.

Long to short, then, Congress and the White House should take another look at CDBG. A familiar old program with Great Society-era virtues and flaws might well be a truly smart vehicle for getting job creation in the right places, quickly and efficiently.

National Infrastructure Bank, Guaranteed Loans, Tax Credits

William Galston, Senior Fellow, Governance Studies

Writing in the December 2 Wall Street Journal, Council on Economic Advisors Chair Christina Romer laid out the concerns that have prompted President Obama to convene a “jobs summit.” While she did not offer specific proposals, she did convey a broad sense of direction: “Given the budget deficits this administration inherited, it is critical to leverage scarce public funds. More fundamentally, when businesses seem hesitant to hire and productivity is surging, we need to harness the private sector, bringing large and small firms off the sidelines to boost job creation.”

Fair enough. Now, what exactly should we do? Here are a few ideas.

• Candidate Obama had called for the creation of a National Infrastructure Bank that would use a modest amount of federal startup capital to leverage the private funds needed to sustain a long-term increase in desperately needed infrastructure investment. The bank, headed by an independent board of governors, could bring some much-needed discipline to an allocation process now dominated by congressional self-dealing and log-rolling, and it could put lots of people back to work building our future. It’s time for President Obama to resuscitate this idea and to push for it—hard.

• There’s mounting evidence that many solvent small and medium-sized businesses are being denied the credit they need to sustain their operations and bring on new employees. The government needs to do what is necessary to break this logjam. If banks have become excessively risk averse, the government might consider guaranteeing, say 90 percent, of the amount lent to small and medium-sized businesses that meet reasonable conditions of credit-worthiness. If banks are being held back by bad loans currently on their books, maybe it’s time to return to TARP’s original but never really fulfilled purpose—namely,
getting some of those loans off their books.

• Although there are lots of good arguments against offering tax credits for new workers, a carefully crafted approach could make it harder for employers to game the system and would increase the jobs bang for tax-expenditure bucks. Alan Blinder neatly lays out all the relevant considerations in a recent Wall Street Journal article (November 16, A23).

No matter what we do, we’re almost certainly in for an extended period in which our resources—capital, plant, equipment as well as labor—will be underutilized. That’s the price we have to pay for badly overshooting a sustainable level of consumption for more than a decade. But sound, efficient public policy can speed the transition and give new hope to the millions of Americans who are in the process of losing their livelihoods.

Better Targeting of Funds Needed

Robert Puentes, Senior Fellow, Metropolitan Policy Program

With all the hubbub around job creation it is easy to overlook the fact that the federal government did provide guidance on how best to geographically target funds for highway projects in the American Recovery and Reinvestment Act (ARRA). That law directs transportation agencies to place priority on “Economically Distressed Areas” for project selection of ARRA funds.

Ok, makes sense. It is natural to want to boost jobs in those communities that are suffering. Unfortunately, that specific policy is flawed, leading to unintended consequences.

The guidance is based on an "economically distressed" definition (albeit modified) from 1965’s Public Works and Economic Development Act. Specifically, the federal highway administration considers an ‘economically distressed area’ any county that maintained either:

• A per capita income of 80 percent or less of the national average
• An unemployment rate that is, for the most recent 24-month period, at least 1 percent greater than the national average

The first problem with this qualification system is an unintended preference towards non-metro counties. The primary culprit is the use of 2007 national per capita income comparisons without cost-of-living controls, which make lower-income those areas appear worse off than they may be. About two-thirds of our nation’s counties are non-metro, yet they make up three-quarters of those considered economically distressed.

The second problem was ARRA did not include any accountability for prioritizing investments towards economically distressed areas. Thus, whether federal roadway funding flows to these counties or not, there is no method to judge performance. This lack of comparable baselines or minimum thresholds creates empty rhetoric.
Steering investments toward economically distressed counties could easily be improved through more thoughtful policy construction. Adding a cost-of-living control would greatly balance qualifying areas, both for dense and rural locations. Also, including accountability clauses could steer more desired investments towards these areas.

The Humanitarian Approach to Job Creation
Gary Burtless, Senior Fellow, Economic Studies

What is essential both on humanitarian grounds and for faster job creation is the continuation of some stimulus programs that are currently scheduled to expire. Congress should extend current unemployment protection for workers who have lost jobs as a result of the downturn. The February 2009 stimulus package provided extra unemployment benefits beyond the 6 months that are ordinarily available to laid-off workers. For workers who exhaust their regular benefits after January 1, 2010, many of these benefits will no longer be available. The stimulus package also made federal subsidies available to help jobless workers pay for continued health insurance if they lost their insurance when they lost their jobs. Both these vital protections should be extended through 2010. Most observers agree that the assistance we provide to the long-term unemployed through benefits is quickly spent by recipients and recycled through the economy.

If unemployment is likely to remain over 9 percent for an extended period, as now seems likely, there is a compelling case for more public infrastructure investment. Given high unemployment in the construction and capital goods industries and low federal borrowing costs, it makes sense to invest in public capital projects over the next few years, when such investments will be relatively cheap. The October 2009 unemployment rate in the construction industry was nearly 19 percent; in durable manufacturing it was nearly 13 percent. Some unemployed workers in these industries could quickly go back to work if the federal, state and local governments increased public infrastructure spending above planned levels.

Finally, it makes sense to boost total government spending on post-secondary education and training. First, this industry directly employs millions of workers, both in public and private institutions. The Department of Labor estimates that 1.7 million teachers were employed in 2006, and millions of additional workers are employed in administrative and support positions. Employment in post-secondary education has held up well, but the budget problems of state governments will force sizeable cutbacks if the federal government does not continue or expand the state fiscal relief provided in the 2009 stimulus package. Second, high unemployment rates have increased the number of adults who are eager to improve their job skills. Investment in better credentials certainly makes sense. For most working-age people, the biggest single cost of attending college or participating in a full-time training program is the earnings they forego. When the unemployment rate is high, the “opportunity cost” of schooling drops close to zero for many of the unemployed and underemployed. It would be a tremendous loss if hundreds of thousands of potential students and trainees are turned away from post-secondary institutions as a result of state budget cutbacks.

CDBG: New Tricks for an Old Dog?

Bruce Katz, Mark Muro  
November 24, 2009

Last week at a forum on local government’s fiscal straits, Mayor Elaine Walker of Bowling Green, KY, supplied her top desired federal recession response: “For us,” she said, “the biggest thing is... the Community Development Block Grant....In Bowling Green, we use it for everything.” Said Walker: CDBG could be a critical anti-recession measure because it allows local governments “not to balance [their] budgets but to... get money into the local economy.”

CDBG—a flexible program that provides communities with resources to address development needs particularly in urban or struggling locales--hasn’t come up much in White House and congressional discussions about the need for further economic stimulus and neither was it mentioned in the framing paper at the forum. In fact, CDBG is in many respects a program federal bureaucrats and auditors love to hate. Such arbiters have a difficult time holding the program accountable since there is so much flexibility and such local variation in how funds are spent. Consequently, Team Obama has also been cool to the program, with many observers suspecting that CDBG was a target of “Sheriff Joe” Biden’s March memo to federal agency heads warning against the funding of “imprudent” projects with stimulus money.

Yet here was Mayor Walker--an astute, fiscally conservative mayor from a community reeling with auto job losses--raising the possibility that the federal government’s little respected CDBG might well be the single most valuable job creation tools and fiscal props for the short-term.

And so we did a little digging on the Recovery.gov accountability pages and used them to see what is happening on the ground with the hundreds of stimulus programs included in the American Recovery and Reinvestment Act (ARRA), aka the stimulus package. ARRA, as it happens, provides $1 billion to fund CDBG awards, and so we could use the data posted on Recovery.gov to get a rough sense of how the program is performing as far as job-production in comparison to others.

A quick drill-down using the value of various CDBG awards, the number of recipients, and the job results reported to federal authorities finds that, sure enough, CDBG is performing
admirably--or more than admirably. According to the government’s information, CDBG is being used to build a community building in Tucson; renovate a library in Elizabeth, NJ; install storm drains and update streetlights to LED lighting in San Jose; and fund improvements to a microbusiness enterprise center in Albany, GA. Going deeper into the government’s giant spreadsheets, we find that some 820 CDBG grants traceable in the database are delivering a job for every $7,000 of federal outlay while for the rest of ARRA’s programs jobs are resulting at the rate of one for every $56,000 spent. Which is a pretty massive differential. So it seems Mayor Walker might be right: If the government’s own recovery data is at all accurate CDBG might very well function as a potentially super-efficient way to deliver jobs in hard times.

Which opens up an intriguing irony that ought to be considered by administration and congressional designers of further economic stimulus. Quite simply, it could be that the very characteristics that make CDBG a reviled program in good times (longstanding existence, great flexibility, direct local allocation, very broad but small-bore reach) make it a perfect relief channel in hard times.

To be sure, Team Obama’s concerns are justified to an extent, because in many cities, the long-standing warhorse that is CDBG is the closest thing left to unfocused revenue sharing in the federal government, as it runs directly to a network of hundreds of small local recipients.

And yet it could be that many of these characteristics (longstanding existence, great flexibility, very broad but small-bore reach) and the fact that 70 percent of the funds are allocated directly to entitled cities and counties may be virtues during the current crisis. That CDBG is an existing formula program that has been around for a while means it is well understood by federal, state, and local governments and staff and can work smoothly and fast. That it’s flexible means it may allow local ingenuity to get money into job-creation quickly. And its breadth and orientation to urban and struggling communities means it can expedite resources to many of the local places where stimulus is most needed. For all of these reasons, then, it may well be that CDBG funding might well be as good a bet for near-term job creation as any of the other emergency measures being bandied about this month, whether it be direct temporary aid to cities, a public service employment program, or a fast-track transportation bill.

Source URL: http://www.tnr.com/blog/the-avenue/cdbg-new-tricks-old-dog</html>
Even in a post-recession economy, leaders must learn to say no.

With a little luck and some help from our friends overseas, the U.S. economy will begin to pull out of its malaise in 2010. The recovery, however, will be less robust than previous turnarounds, reflecting the hangover from the real estate bubble in 2007 and its associated stock-market bubble. State and local budgets will lag the general economy on the way back up, as tax receipts typically trail the general economy. States that enjoyed a revenue rush from taxes on capital gains won’t be seeing anything like that for a long time to come. Investors’ portfolios will carry forward their huge 2008 losses.

This is the New Normal economic environment. To survive in it, there are a handful of ground rules that state and local officials in charge of fiscal policies ought to preach and practice.

1. **Live within your means.** Some elected officials try to promote politically popular pet projects without a viable long-term funding plan. That kind of short-term thinking won’t be possible—lurking financial problems will surface before today’s incumbents leave office. So, fiscal policies will have to address the limits of the New Normal economy. Setting expectations is a vital part, starting with a budgetary teach-in for policy makers—maybe a special study session that focuses on realistic five-year revenue projections and five- to seven-year increases in retirement-plan expenses. That will be an eye-opener.

2. **Look to the future.** It’s time to set long-term priorities and stick to them—even though governing bodies tend to focus on the issue *du jour* and react to the current developments without putting all competing priorities in perspective. If basic services such as roads and public safety are all the community can afford, then it may be time to begin a long-term process of downsizing or eliminating activities that were great ideas but are simply unaffordable in light of other costs.

3. **Stop deferring expenses.** When the economy enters a recession as deep as this one has been, it is natural to cut back on equipment replacement, infrastructure and capital maintenance. But deferred expenses don’t go away. They come back and bite
you later. Budget officers should prepare a list of all ongoing deferred spending. That way, policy makers can see what needs to be funded before discretionary programs can be restored. Get department heads involved—they won’t be bashful about their needs.

4. **Fund retirement obligations.** Few states and localities are funding their retiree medical benefits on a proper actuarial basis. Many can’t even afford the pension and post-employment medical benefits they have already granted. The new reality is that policy makers have to fund full annual contributions to both plans—or else the costs will escalate really fast—fast enough to torpedo those leaders before they leave office. Meanwhile, most public employers need to scale back their benefits for new employees and begin making all employees pay a greater share of the cost of their benefits.

5. **Dedicate your surplus.** At some point, state and local revenues will once again exceed budget estimates. When they do, it will still be necessary to focus on fiscal catch-up. Depleted reserves will have to be restored. For three to five years, at least 25 percent of budget surpluses should go to retiree medical benefit trusts (known as OPEB in public finance circles) that are presently unfunded. Another 15 to 30 percent should be used to restore deferred equipment purchases and facilities maintenance.

6. **Set up a rainy-day fund.** This may be the most important fiscal policy decision any governing body can make. The suggestions I’ve already offered will likely consume every dollar of free revenue that most governments receive between now and 2012. But once the revenue revival comes and stabilizes, it will be important to set money aside from the operating budget for lean periods in the future. The time to enact such a policy is now, when memories are fresh and the pain of recent retrenchments is vivid.

**Girard Miller** is a senior strategist for retirement plans and investments at the PFM Group, and has 30 years of experience in the public, private and nonprofit sectors. Questions, success stories or anecdotes about benefit issues in government? E-mail him at millerg@pfm.com.

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White Paper

Navigating the Fiscal Crisis:
Tested Strategies for Local Leaders

Prepared for

ICMA

By

Alliance for Innovation

Gerald J. Miller and James H. Svara, Editors

Arizona State University

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Navigating the Fiscal Crisis: Tested Strategies for Local Leaders

An Introduction for Elected Officials

As the fiscal crisis around the country threatens more and more local governments, officials are faced with increasing challenges and a need for immediate action. The vision and the leadership of elected officials are keys to sustaining local governments through this crisis.

The ways that local governments responded to past economic downturns offer guidance on how to survive and even become stronger during times of fiscal stress. To determine the lessons of past experience, ICMA (the International City/County Management Association) commissioned a white paper prepared by researchers from the Academic Network of the Alliance for Innovation.

This executive summary for elected officials:

- Describes the fiscal dimensions of the current economic crisis.
- Identifies what worked in previous fiscal cutback efforts.
- Explains why innovation is critical and how positive actions can be taken.
- Describes how local government actions can contribute to the economic recovery.

Fiscal Dimensions of the Economic Crisis

Although there is variation among the states, in general such economic drivers as the automobile manufacturers, the financial services industries, and the new housing construction industries have experienced slowdowns that result in higher unemployment, reduced sales tax revenues, and reduced revenues from building permit and related fees.

The ripple effect from these slowdowns touches related businesses, including suppliers, restaurants, and stores. The decrease in purchasing produces a decrease in sales tax revenues. In some localities, small businesses have closed because they could not sustain the loss in sales.

The tightening of credit due to the crisis in the financial markets has made it much more costly and difficult for local governments to borrow money typically used to finance capital projects. Unless cities and counties have an exceptional credit rating, which is difficult with budget shortfalls, they may have trouble borrowing through traditional methods.

Because the stock market has sustained major losses and pensions are funded in large part by stocks, the cost of local government obligations to pay pensions could have a substantial effect on local governments. Officials should have a
clear understanding of how their system works. The global dimensions of the financial crisis have decreased the demand for United States’ exports.

Foreclosures persist and are expected to continue. In addition to subprime mortgages and mortgages that are now more than the value of a house, unemployment will force additional people who live paycheck-to-paycheck into foreclosure. Foreclosures cost local governments due to increased property maintenance, crime, and such social issues as homelessness.

As property values drop from foreclosures and the declining housing market in general, property tax revenues will decrease. Local governments that are dependent on a significant percentage of revenues from the state will face reductions in state funds as states face their own budget shortfalls.

A specific local government may encounter any combination of these conditions that contribute to fiscal distress, and the timing may differ. It is imperative that elected officials seek a full and frank assessment of the current conditions and likely trends for the next two years. Local governments in some parts of the country are already making substantial changes to adjust to negative conditions. It is common, however, for the full impact on local government budgets to come 18 to 24 months after the start of an economic downturn.

What Worked In Previous Cutback Efforts?
In times of fiscal crisis, citizens look to elected officials for answers, and these officials can fill an important educational role.

- Work with staff members, educate the public, solicit their input, and engage them in problem solving. Hold town meetings and provide information to the public on the issues, the financial impact, and the possible programmatic changes that will be required.

Although an immediate response to a major budget shortfall is to stop spending and introduce across-the-board cuts, research shows that other approaches may be more effective in sustaining a local government over time when faced with a serious and prolonged downturn.

- Make any cuts sensible and understandable to the public.
- Refrain from deferring maintenance or moving money around for short-run expediencies. Remember that one-time cuts help immediately but do not save more money in subsequent years like cuts in continuing expenses do.
- Maintain revenues to support expenditure levels because these actions have a greater positive impact in speeding economic recovery than cutting expenditures.
Consider the value of a service before cutting it. Across-the-board cuts do not differentiate essential from nonessential services. The same percentage cut may be easier to absorb in a large program than a small one. Although it’s important for local government program managers to identify cost savings, they must consider the value of the service to the local government’s core mission and the impact of cutting it.

Make an effort to move staff members from positions that are eliminated into vacant positions. Hiring freezes create a pool of unfilled positions, but simply eliminating empty positions weakens organizational performance. It is better to target elimination of less needed positions whether occupied or not.

Reduce work hours or use furloughs with an accompanying reduction in pay, which has less impact on morale than a straight reduction in pay.

Bring contracted services back in-house to be performed by staff members in order to save money and to save jobs. Layoffs will affect the local economy due to reduced spending and other financial effects that unemployment can introduce. They may even lead to loss of homes. Where possible, alternatives such as early retirements, reduced hours, or redefined jobs are preferable.

**What Elected Officials Can Do**

Early in the process, elected officials can establish broad goals to guide program and service review by staff. Mayor Charles Meeker of Raleigh, North Carolina, for example, recently said in his state of the city address, “It’s going to be a year of choosing which programs to continue, not which programs to add.”

Local officials can convey the message to citizens and staff that all programs are on the table.

It is likely that programs have constituencies that support them, but elected officials need to help citizens understand that programs must meet the highest needs in order to justify continuation at current levels. They can make sure that citizens get their questions answered and understand the budget review process, but they create confusion by promising individuals that their services will remain the same or trying to get special treatment.

Elected officials should expect as much information as possible from staff about options and consequences of specific cuts. Ultimately, they must weigh the long-term interests of the community as a whole in making the final decisions about cuts. Elected officials should backup central managers and give them the

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1 David Bracken, “Meeker: Recession is both challenge and opportunity,” *Raleigh News and Observer*, January 26, 2009

authority and the support to act decisively and coherently. They should monitor effectiveness and look for adjustments in the methods used to accomplish the strategies.

**Why Innovation Is Critical**
Periods of fiscal stress and the necessary retrenchment can be times of innovation and creativity. Innovations can be new and original to the organization, and they can be adoptions of process improvements implemented by other organizations. Innovation brings about change and new approaches to problem solving.

In a cutback period, the resources are not sufficient to maintain the status quo. The changes that are required can be reactive and negative or proactive and positive. More than ever, local governments must have the flexibility to suspend practices that are no longer adequate and thoughtfully consider and apply other solutions. Providing incentives for improving performance will encourage staff members to think creatively and become part of the solution.

Here are actions that local governments can take and elected officials can support that promote constructive change:

- Where cuts need to be made, take action quickly.
- Focus on core mission, purpose, and highest priorities in order to differentiate essential services from others.
- Take a long-term view.
- Foster stewardship and cost containment.
- Support staff in trying new approaches and improving organizational design and processes.
- Commit to communicating with all stakeholders.

**What Elected Officials Can Do**
Elected officials’ leadership in encouraging a long-term perspective, rather than a short-term reactive stance, will be essential to effective management of this crisis. The elected officials’ role allows them to command attention. By inviting citizens to discuss the core mission, purpose, and highest priorities, elected officials have the opportunity to create partnerships with citizens.

Their role in educating and engaging all stakeholders in solving the problems facing our communities will support their long-term vitality and stability. They can reinforce the message that innovations are encouraged despite the risks.

**How Local Governments Contribute to the Economic Recovery**
Local governments are important economic agents. Because they make substantial purchases of goods and services and have employees who buy
products and pay rent or mortgages, local governments contribute to the economic well being of a community.

There are several strategies that local leaders can implement to mitigate fiscal stress or even mildly stimulate the economy. Elected officials leadership in championing these efforts is essential.

- It’s important to maintain or increase local government expenditures by continuing or increasing revenues or drawing down financial reserves. These actions help support the local economy countering the downturn in other areas.
- Expand or accelerate capital projects, especially those with low operating costs. These projects put money into the economy because they have a direct relationship to business and industry.
- Although tax cuts are an option, they are typically not large enough to make a discernable impact on the economy.
- Although it seems counter-intuitive, economic literature suggests that cutting expenditures hurts local economic recovery more than maintaining or raising current tax levels.

**What Elected Officials Can Do**
By educating citizens on how the actions of local governments impact the economic cycle and the value of sensible budget decisions that sustain needed programs and services, elected officials can help citizens understand how local government actions support the local economy.

**Summary**
Elected officials have the responsibility to govern their communities wisely and link residents to the governmental process. The current fiscal crisis that is threatening local governments makes these tasks harder but even more important. Citizens look to elected officials to address serious problems, not just hunker down and wait out the storm.

Officials should focus resources on the most important programs and services and encourage changes that will make communities stronger in the future. They are in a unique position to engage citizens and to provide the leadership that inspires confidence and trust.

The complete white paper *Navigating the Fiscal Crisis: Tested Strategies for Local Leaders* and supporting research papers can be found at [http://www.transformgov.org](http://www.transformgov.org).
Navigating the Fiscal Crisis: Tested Strategies for Local Leaders

Overview

Gerald J. Miller and James H. Svara

The developing fiscal crisis facing local governments calls for extraordinary actions by local officials. Fortunately, research on organizations’ responses to previous downturns and other adversities provides important lessons for today’s managers. A cadre of researchers in the Academic Network of the Alliance for Innovation prepared this white paper for ICMA. It is intended to help local government managers understand the nature of this fiscal crisis and the steps they can take to support economic recovery. The paper answers five questions:

- What are the dimensions of the current crisis? What defines it?
- What has worked in previous fiscal cutback efforts?
- What characterizes organizations that cope better with fiscal stress than others?
- Why is innovation in hard times so critical yet how can positive actions be taken?
- How can local government actions contribute to the economic recovery?

This introduction to Navigating the Fiscal Crisis concludes with guiding principles for local government action.

As of January 2009, estimates indicate that no state, much less the nation, has reached the bottom of the economic cycle. Events, however, have already reached crisis levels in some cities and counties. For example, one Arizona city manager who has dealt with declining revenues for nearly two years tells his community that the measures taken so far are simply “the end of the beginning.

Local governments in other parts of the country are just starting to see how the crisis will affect their communities. All signals point to challenges getting worse in many more communities before the nation’s fiscal health improves. Navigating the Fiscal Crisis is meant less as a history lesson of how communities survived the 2007–2008 recession and more as a set of suggestions for coping with the recession as it continues in 2009 and beyond.
Fiscal Dimensions of the Economic Crisis:
This Is Deeper and Different Than Anything We’ve Seen in the Past 50 Years
All local governments face uncertainties and risks in the current recession, and many will experience severe challenges with local government finances because of the slowdowns among major economic drivers. The downturn in economic activity and rising unemployment reduce revenues and increase demands on the social safety net. But states’ economic problems differ across the country. Regional assessments of conditions have been made by Doug Snow, Helisse Levine, Donijo Robbins, Charlie Coe, Rex Facer, John Bartle, and Jerry Miller.

- Problems in the automobile and financial services industries primarily affect Michigan, New York, New Jersey, Connecticut, and Delaware.
- States that depend heavily on sales taxes and development-related revenues, such as Arizona, California, Florida, and Nevada, have felt the sting of slumps in spending and home construction.
- Local governments with substantial transfers from state government—most counties and cities in 19 states—may experience reductions in this fiscal year and 2010 since revenue shortfalls of more than 7 percent of the operating budget are expected in 13 states (2009) and 21 states, respectively (see Figure 1). Counties are likely to be even more significantly impacted by state budget problems since they received a third of their total revenue from state sources compared to an average state share of 19 percent in cities.
- Manufacturing states in America’s heartland have seen high demands for exports collapse. Now, the pipeline is empty due to slowed economies in Asia and Europe.
- States that draw heavily on agricultural, energy, and mining tax bases, such as Iowa, Kentucky, North Dakota, South Dakota, Oklahoma, Wyoming, Montana, Kansas, and Utah have experienced relatively mild effects of the crisis but if energy prices decline, this may not continue to be true.
- Greater reliance on property tax provides a buffer from declining revenues for some entities because of the delay in reassessing property values. However, property tax revenues that increased in 2007 are expected to decline for 2008 and drop even more in the future.
Vulnerability increases with higher dependence and greater state budget gap

<table>
<thead>
<tr>
<th>City percent of revenues&lt;sup&gt;a&lt;/sup&gt;</th>
<th>State budget gap&lt;sup&gt;b&lt;/sup&gt; low (Less than 5%)</th>
<th>State budget gap&lt;sup&gt;b&lt;/sup&gt; medium (5 to 14%)</th>
<th>State budget gap&lt;sup&gt;b&lt;/sup&gt; high (15% +)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City government dependence on state revenue medium (7 to 18%)</td>
<td>Idaho Montana Nebraska North Dakota Arkansas Oregon Iowa</td>
<td>Tennessee Ohio Indiana</td>
<td>California Florida Louisiana Minnesota North Carolina</td>
</tr>
<tr>
<td>City government dependence on state revenue low (Less than 7%)</td>
<td>Kentucky Oklahoma Missouri South Dakota Texas West Virginia</td>
<td>Colorado Delaware Georgia South Carolina Alabama</td>
<td>Utah Washington Vermont Kansas Hawaii</td>
</tr>
</tbody>
</table>

Sources:
<sup>a</sup>Finances of Municipal and Township Governments: 2002 (2002 Census of Governments, issued April 2005);
<sup>b</sup>Center on Budget Policies and Priorities http://www.cbpp.org/9-8-08sfp.htm (accessed January 2009).

The recession is spreading beyond housing, automobiles, manufacturing, and financial services to affect all areas of the economy, and it is global in scope. This fiscal crisis is the first in the postwar period in which local, state, and federal governments have reported shortfalls in all major revenues—sales, income tax, and capital property—at the same time.
The National League of Cities reported that there is typically an 18- to 24-month lag between the change in economic conditions and the impact on municipal revenue collections. Thus, some governments are affected now by reduced revenues, while others will experience intense pressures in the near future. According to economic forecasts, 2010 and 2011 will be even tougher on local government fiscal health than 2009. Of 17 large counties surveyed by the National Association of Counties, 47 percent anticipate a budget shortfall in the current fiscal year, and 59 percent expect a shortfall in the next fiscal year.

Federal stimulus spending may offset some of this coming loss in revenue, although most of the funding is likely to support public works projects, to provide tax relief, and to aid individuals in need, rather than restoring losses in operating budgets. For most local governments, it is time to prepare for coping with and moving beyond these tough times.

**Foreclosure**

The U.S. housing foreclosure crisis persists, and according to housing and banking experts, the foreclosure problem will become bigger. While the drivers of the crisis are complex, we know several things drawing on the assessment by Ed Benton. First, the factors responsible for it predate and largely triggered the current economic downturn. Second, the recession likely will lead to another wave of foreclosures of a different nature and magnitude.

Foreclosures began with subprime mortgages—those made to borrowers with a sketchy credit history or who provided limited documentation of their income or assets. The foreclosures now, contrary to similar past periods, are on higher-end properties, resulting in more severe bank losses. A third wave of foreclosures is likely to follow and conform to traditional patterns—foreclosures among those who live from paycheck to paycheck.

The states with the highest foreclosure rates (in order of magnitude) are Nevada, Florida, Arizona, California, Colorado, Michigan, Ohio, and Georgia (see Figure 2). These eight states, along with eight others with rates of more than 1.5 percent, account for almost four-fifths of all housing units in foreclosure in the country.

The impact of foreclosures varies greatly across localities. Some jurisdictions have few foreclosures, but more than 250 local governments had problems substantial enough to receive direct Neighborhood Stabilization Program (NSP) funding from the U.S. Department of Housing and Urban Development (HUD)—with additional dollars going to statewide programs—to deal with the impact of already empty properties.

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When foreclosures are concentrated, property assessments decrease, and local governments’ property tax collections are reduced. Sales taxes have slumped in part due to lower consumer spending brought on by the heavy debt load households assumed with home equity loans and second mortgages. Simply put, some local governments can expect to see what were once stable property tax dollars and robust sales tax revenues shrink and become increasingly unreliable.

On the spending side, foreclosed properties often result in public health issues, crime, and other social problems. Previously, middle income families who had foreclosed mortgages had to deal with forced relocation and even homelessness. As a result, they face humiliating, unfamiliar problems and the prospect of being in cash- and asset-poor circumstances for some years. With no place else to turn, local government leaders are compelled to deal both with foreclosed properties and dislocated families.

Figure 2. Foreclosure Rates and Properties.
What and how credit market problems have threatened existing local government borrowing and how stock market problems affect pensions

While the twin economic and financial market crises dealt a severe blow to state and local government finance on the revenue side, they also have a direct impact on state and local governments’ spending side. Two areas of government spending under pressure now or in the near future as a result of the financial market meltdown are government borrowing cost and public pension benefit cost according to Jun Peng.

Government borrowing cost

State and local governments rely on borrowing in the municipal bond market to finance all sorts of capital projects. This market has been severely disrupted by the financial crisis, which leads to a disruption in capital financing and substantial increase in borrowing cost. The subprime mortgage crisis and particularly Lehman Brothers’ filing for bankruptcy in September 2008 had a direct impact on the municipal market. All major bond insurers, which previously insured close to half of all new municipal issues prior to the disruption, were downgraded below AAA rating due to their financial loss related to mortgage debt and lowered the overall credit quality of the municipal bond market.

The decrease was further exacerbated by Lehman Brothers’ filing, which led to a credit market freeze. This credit freeze had two severe consequences for the municipal bond market. First, it led to “flight to quality,” meaning investors put faith only in the federal government’s ultra safe treasury securities and demanded a high risk premium on all other debt securities, including municipal debt. Second, to raise capital, some large traditional institutional buyers of municipal debt, such as property and casualty insurers and hedge funds, became net sellers of municipal debt. The combination of flight to quality and decrease in demand for municipal debt led to a sharp increase in the cost of credit for municipal borrowing.

For much of 2008, until early September, the interest rate in the municipal market remained relatively stable in the five percentage point range, as measured by the Bond Buyer Index for 40 municipal bonds. Since Lehman Brothers’ bankruptcy filing from the week of September 12 through the week of October 17, however, the average weekly Bond Buyer Index shot up from 5.34 percent to 6.69 percent, a level that has not been seen for almost a decade. The spread between the municipal yield and the 10-year Treasury note also shows the flight to quality. Since mid-September, the spread has widened considerably, a reflection of the extra risk premium on the municipal bonds. This extra risk premium is also shown among municipal debt of different credit quality.

On December 31, 2008, for example, the yield on a 10-year, triple-A rated municipal bond was 3.52 percent whereas the yield on a single-A rated, 10-year municipal bond was 4.95 percent.\(^3\) In comparison, the average monthly spread between these two ratings was only 0.3 percent from the turn of the century through September 2008.

\(^3\) Herman, Jack and Seymour, Dan (December 2009). Munis Cap Tumultuous Year with Quiet Day. Retrieved on January 2009 from www.bondbuyer.com
This spike in yield makes it much more costly to borrow. For the three months of September, October and November 2008, municipal bond issuance was down 31.2 percent compared to the same period last year, although the reduction was less in November (down 22 percent) than in October. In some cases, the government issuer had to borrow less than they originally planned so that the debt service could be fit into the budget.

In other extreme cases, the issuer had to cancel the issue entirely and wait until interest rates come down sometime in the future.\(^4\) This has put a severe drag on the financing of capital projects. In the past, even in difficult times, state and local governments could depend on debt financing to replace all or part of the pay-as-you-go financing for capital projects to realize budget savings. This strategy is more difficult to implement this time around.

Since the Federal Reserve reduced the federal funds rate to almost zero percent in mid December 2008, the yield on the municipal debt has also come down somewhat, as can be seen from Figure 3. The yield decreased from 6.49 percent just before the Federal Reserve decision to 5.96 percent by the end of 2008. Whether the yield will continue to decrease in 2009 depends on a few factors. The most important is the length and depth of the economic recession, which will determine the confidence of investors (i.e., the size of risk premium demanded on municipal debt).

A second factor will be the overall credit quality of municipal issuers, which is affected by the overall revenue and budget situation. Another factor that potentially influences the municipal bond market is the Obama administration’s stimulus plan for state and local governments. The impact will depend on the size and makeup of the federal aid to state and local governments. In all, the credit market problems influence the allocation of funds. Cities and counties except for those with the best credit ratings probably will not be able to borrow through traditional bond issues. Those localities with the best credit ratings will find traditional borrowing easier. If officials have difficulty reaching a consensus quickly on how to resolve their budget problems, that may doom traditional borrowing until the credit market problems get resolved.

Disagreement or delay in local action sends a negative signal to the credit market. The alternatives to traditional borrowing for either short term cash management or long-term capital projects are pay-as-you-go financing, unusual sources often at higher than expected rates, IOUs for short term cash management as in California, or delay in proceeding with capital improvements.

**Pensions**

The financial crisis also hit public pension plans hard. At the end of the third quarter of 2007, state and local pension plans collectively held assets worth $3.26 trillion, but the value of assets dropped to $2.75 trillion by the end of the third quarter in 2008. How will this loss affect

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state and local government pension contributions? Two factors make the impact somewhat difficult to predict.

First, pension contributions depend on how the stock market performs over the next six months, since most pension plans' fiscal year ends on June 30. Given the volatility in the current market, it is difficult to tell. The second factor is the smoothing technique used by pension plans in valuing assets. To avoid the volatility in asset value, plans use a multi-year smoothing technique to phase in asset gains or losses.

What this means is that the pension funding ratio, which averaged 86 percent for large state pension plans in 2007, will not see a substantial drop next year, and state and local governments will also not see an immediate, substantial increase in pension contributions. However, if the stock market does not see any noticeable improvement, and as the losses are phased in over the next few years, pension contribution will continue to go up in the near future. Since this increase, no matter how small it is in the beginning, happens at a time when government revenue is also shrinking, it nonetheless will add severe strain to state and local government financial health.

Due to the market losses and the expected increase in employer pension contributions, some states may reduce pension benefits for new employees by creating a new tier. So far, New York state has already proposed establishing a new tier that will require new employees to work longer and retire later to receive full pension benefits. More such proposals can be expected in the future.

What Local Governments Have Done in Past Crises

“Lessons learned” call for strategic, targeted actions
Cities and counties usually combine revenue increases, cuts in spending, and cutbacks on capital projects to neutralize a fiscal crisis. In the past, delaying action has been the typical response in hopes that the cutbacks are only a temporary slowdown.

“Cutback management,” the well-known body of work to come out of the financially stressful 1970s, is a method for coping with fiscal turbulence, as summarized by Barbara Lewkowitz. Charles Levine, the person most closely associated with the concept, observed cities being challenged by escalating periods of resource scarcity and foresaw the necessity for public sector contraction. Levine emphasized that management needed to maintain credibility, civility, and consensus.

He dismissed any alarmist mentality; he felt that cool, rational actions would preserve necessary municipal services and help the community understand the scope of the problem. To him, “orderly retrenchment,” or a managed organizational response, creates the necessary flexibility to handle fiscal stress and loosen the rigidity of municipal budgets.
Levine advised elected officials and managers to:

1. Recognize or predict impending decline. Such factors as shifts in demographic patterns, economic behavior, community social attitudes, or political power bases will force cutbacks.

2. Educate the public about necessary reductions and engage in thoughtful cutback management. Despite the belief that someone—even someone as imaginary as the tooth fairy—will appear miraculously to take the painful tooth of budgetary cutbacks from under the pillow and replace it with enough new, shiny quarters to fund an entire mouthful of new programs, Levine argued that leaders could manage perceptions and increase public understanding of fiscal stress. Educating the public includes such things as preparing reports, fact sheets, and briefings, being specific about the community’s resources and essential local government services, and encouraging as much community input as possible.

3. Refrain from moving money around for short-run expediencies or deferring maintenance. Leaders should prioritize programs and target budget cuts.

More specifically, fiscal stress management research appeared with lessons for dealing with human resources and related problems. In human resource terms, Joe Cayer reports that cities and counties often:

- Freeze hiring.
- Freeze or reduce pay.
- Reduce work hours with subsequent reduction in pay.
- Eliminate positions that may require laying-off employees if there are not other vacant positions for which they are qualified.
- Provide incentives for early retirement.
- Use volunteers.

Research reveals that fiscal cutback techniques have important differences, especially as they may be used in state and local governments compared to the federal government. Increasing a tax has a greater impact in speeding economic recovery than cutting expenditures. Financial controls applied across the organization from the top have more unintentional than intentional consequences. Across-the-board cuts do not distinguish essential from less-important activities or the impact of proportional cuts on programs of different scales.

This type of cut confuses the purposes of local government activities among stakeholders. Without a rational, understandable basis for cutting spending, across-the-board cuts encourage politicking for budget restoration by inspiring competition among programs, their allies, and local government stakeholders. Hiring freezes weaken organization performance more than targeted layoffs. Pay freezes can be implemented most easily and are perceived as fair by employees. Reducing work hours with subsequent reduction in pay has less impact on employee morale than pay reductions.
Past fiscal stimulus programs—such as higher-level governments helping lower government-level leaders solve their fiscal problems—have had various designs. Some have proven to be more effective in speeding economic recovery than others. For example:

- Tax cuts have less impact on economic recovery than do cash grants to governments.
- Capital project support has greater impact than support for operating expenditures.
- Support for capital projects that have low operating costs have a greater impact than capital projects with high operating costs.
- Higher level government project and block grants speed economic recovery in comparison to formula grants and various forms of subsidies for lower level governments.

Timing is an important aspect of a stimulus program. As indicated in Figure 3, none of the stimulus programs passed by Congress in the post-war period were approved before the end of the recession, except that in 2001.
## Figure 3. Use and Timing of Dollars for Selected Stimulus Packages in Recessionary and Non-Recessionary Periods.

<table>
<thead>
<tr>
<th>Appropriated in Legislation</th>
<th>Adjusted to 2008 Dollars</th>
<th>Legislation Name - Use of Funding</th>
<th>Beginning of Recession</th>
<th>End of Recession</th>
<th>Stimulus Legislation Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>$394M</td>
<td>$2.8B</td>
<td>Area Redevelopment Act</td>
<td>April 1960</td>
<td>February 1961</td>
<td>May 1961, September 1962</td>
</tr>
<tr>
<td>$900M</td>
<td>$6.3B</td>
<td>Public Works Acceleration Act</td>
<td>NA</td>
<td>NA</td>
<td>1962</td>
</tr>
</tbody>
</table>

A crucial choice in stimulus package design is how funds will be distributed. Three considerations reinforce providing a substantial portion of such funds directly to local governments. First, beyond increased benefits to individuals in need, the greatest multipliers from fiscal actions come from infrastructure spending. Second, most infrastructure is built and maintained by local governments. Third, there are losses from overhead expenses and goal displacement when grants must pass through another body to get to the recipient.\(^5\) Direct allocations to local governments offer advantages in speed, simplicity, flexibility, and accountability.\(^6\) Fourth, local governments can integrate these projects with ongoing efforts to advance sustainability, quality of life, and neighborhood revitalization.\(^7\)

Effective management of a fiscal crisis depends on the type of economic crisis. Cyclical periods of deficit correspond to average-length recessions as localities experienced them in the early 1990s and 2000s. Most recessions permit short-term adjustments to events and a return to the status quo. Structural deficits arise from fundamental demographic, social, and economic changes in the community that permanently unbalance recurring expenditures and revenues. Structural deficits can materialize from isolated events, such as the loss of a large employer, or from a widely experienced, deep recession, illustrated by the local fiscal effects of poor global competitiveness among U. S. automakers and financial services firms.

Overall, fiscal crises disrupt metropolitan economies, argues Rebecca Hendrick. Central cities, areas within them, and inner-ring suburban local governments with more urban problems are likely to become worse off during a fiscal crisis. Urban problems include concentrated poverty, unemployment, and crime and low business activity. In the current period, some new suburbs on the fringe of metropolitan areas have been particularly susceptible to foreclosures or suspended development.

Economic development efforts pursued independently by individual governments can aggravate urban problems when a local government has fewer assets to leverage. Such assets include infrastructure, workforce capabilities, and educational institutions. Coordinated development, often found by researchers to be the product of institutions created by a higher level government such as states for cities, reduce competition between poor and rich jurisdictions and help reduce some of competition’s costly by-products, including sprawl.

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\(^6\) ICMA, NACO, NLC, Research Brief, Transition Presentation to incoming President, Retrieved December 2008 from [www.icma.org](http://www.icma.org)

Characteristics of Organizations That Cope Well with Fiscal Stress

Leadership, resiliency, and a long view are needed

Given the crisis, well-managed organizations capable of dealing with events before, during, and after a crisis are those that are able to adapt, bounce back, and sustain essential activities with reasonably accessible revenues.

Fiscal health reflects the adaptation of a local government’s revenues and expenditures to the resources and constraints provided by its environment. Jonathan Justice found that adaptation takes place over the long term of several business cycles and in the short term within a cycle. Adaptation positions a local government to sustain a politically and economically appropriate level and mix of services throughout the business cycle. In turn, the locality can accumulate sufficient reserves as revenues cycle up to take the organization through normal downturns without disruptive cutbacks or revenue increases.

Long-term adaptation tactics, according to Jonathan Justice and Jeff Chapman, include:

- Avoiding excessive commitments to fixed expenses such as debt service and unfunded post-employment liabilities, being flexible and efficient in spending choices.
- Trying to diversify revenue sources so that they are fairly stable and may be controlled locally across economic cycles.
- Engaging in long-term financial planning.
- Maintaining reserves adequate to deal with abrupt, temporary shock.
- Using charges for services and a land value tax as a benefit tax for local government capital improvements.
- Working to educate stakeholders about their jurisdiction’s financial situation and the need for fiscal planning and prudence.

Short-term coping tactics include moving promptly to rein in controllable expenses and adjusting the revenue mix and tax rates to the extent permitted by law and by other constraints. Local governments should look for opportunities to improve productivity and financial management practices, consider shedding activities that can be appropriately divested or eliminated, explore introducing or increasing charges for services that can appropriately and feasibly be priced, enacting temporary tax increases, and secure special assessments for certain capital improvements. Adaptation may require major reductions in services, often made after zero-based reviews of service mixes and levels or by other methods of ranking priorities among services.

Jefferson County, Colorado, used an intensive assessment by staff to identify service priorities, and Queen Creek, Arizona, took advantage of a management retreat to identify core services followed up by council discussion and acceptance. Cities and counties have used participatory techniques to manage cutbacks, increasing the visibility of existing services, exploiting the varieties and depth of knowledge among residents, bolstering residents’ willingness to share the risks of the cutbacks, and improving the political acceptability of the cutbacks.

What organizations are most likely to respond constructively when faced with adversity? Natural disasters, terror attacks, and fiscal crises have increased curiosity about how some
organizations recover even though they have been stressed to the breaking point. Janet Denhardt and Robert Denhardt refer to resilience as a more flexible and greater ability to adapt to future challenges. They and other researchers argue that it is the practice of everyday resilience in responding to myriad daily stresses that best equip organizations to handle catastrophic and unexpected challenges. Organizational resilience increases as managers build the capacity to adapt.

Organizations that emphasize power relationships and reliance on authority, rules, and procedures may limit the capacity of leaders to change followers’ frames of reference. Instead, flexible practices are recommended that permit an organization to shift from one makeup to another and back again in the same way that a soccer or basketball team will flip from offensive to defensive alignments. For example, Glendale, Arizona, after stressing cross-training and job sharing for years, found that staff members were prepared for new responsibilities that result from downsizing and reorganization.

Resilient local government organizations pursue “bricolage.” In construction, it means using whatever materials are at hand, and in budgeting, it means doing what’s necessary with what’s at hand. By distinguishing the essential from the “just good to do,” local managers decide what’s necessary to do. By choosing balanced revenues, setting realistic tax rates, and assessing the cost-effectiveness of tax gifts as recruitment tools for firms for economic development, local leaders determine what’s at hand.

Bricolage permits fiscal sustainability. Fiscal sustainability strategies build the capability of a government to consistently meet its financial responsibilities. In the short term, this can be done by adjusting spending to revenues and revenues to spending, and in the long term by protecting future generations’ fiscal abilities.

**Positive Actions in Hard Times**

**Opportunity can rise out of crisis**

Managers also recognize that well-managed organizations can find ways to make constructive changes with positive long-term impacts even in the midst of a fiscal crisis. Jim Svara argues that organizations will use hard times as the occasion for introducing change, and these actions can approximate the process of innovation. The destructive aspects of retrenchment with the loss of good people and programs make it hard to look at a cutback period as a time of innovation.

Such periods, however, are characterized by widespread change, and the experience of innovation can contribute to understanding how creativity can be a positive force even if it comes from cutbacks. Innovations include approaches that are new, original, and cutting edge and also changes adopted from other organizations with the intention of improving processes or results. These actions are new to the organization and a departure from previous practice but not necessarily original.

Mike Peddle writes, “Innovation in hard times is essential, yet ... most difficult ....” Routine solutions, experience has taught, no longer work. Through past fiscal crises, successful innovations have included financing public facilities through lease arrangements, sales of
public facilities naming rights, joint development by local governments and for-profit entities, and developer-financed infrastructure. These approaches have become accepted practice. Successful financial innovations have tended to be those that allocate or reallocate the costs of public services and infrastructure to their beneficiaries rather than the general public.

Nevertheless, popular perceptions hold that a fiscal crisis is not the time for risky ventures. In tough times, there is less of a margin for error if an idea fails, and stakeholders prefer safe bets when resources are scarce for governments, businesses, and households. Safe bets are often provided by solutions popularly thought to be sound but are found to fail when tried. Innovations are often restricted to governments that have resources, while those that need it most are the least likely to undertake it.

So, what conditions encourage innovation and constructive approaches to dealing with cutbacks? Advance preparation and strong organizational capacity before a cutback occurs are important factors in why some organizations succeed and others decline. For example, choosing to discontinue programs that depart from core values or achieve only marginal results presumes that core values are clearly identified and results can be measured. This does not mean, however, that the ability to cope is predetermined and beyond the control of leaders.

The positive qualities of well-run organizations provide an inventory for managers to use in taking stock of their own capabilities. They also provide a guide to organization building to prepare not only for the next crisis but also for more successful organizational performance in “normal” conditions. For example, Washoe County, Nevada, started a citizen involvement process during the downturn in 2003 that has been an asset for identifying priorities before the current crisis started.

Other actions that have been taken or systems established in advance include:

- Understanding community values and establishing priorities to guide choice of programs and services.
- Establishing an early-warning system to discern which trends and factors will affect strategy and timing.
- Implementing a strategy for increasing fiscal sustainability.
- Defining key service delivery areas and using performance indicators to measure results. Rigorous analysis determines whether programs are working. If cuts are needed, the government can identify relative program and service effectiveness.

Local government managers must display fair and forward-looking leadership that supports the policy making by elected officials and empowers and engages staff to contribute to finding solutions. As for fiscal and managerial tactics that facilitate innovation, nine actions offer a variety of measures for responding in the short term and long term to fiscal problems and to the opportunity for innovation (see Figure 4)
Actions by Local Government Leaders for Economic Recovery

Intelligent public investment can reap rewards

City and county managers have the responsibility to promote organizational adaptability and steer through the fiscal crisis successfully. A larger question is whether local government leaders can contribute to economic recovery and avoid making matters worse or dampening recovery efforts.

<table>
<thead>
<tr>
<th>Figure 4. Actions to Promote Constructive Change.</th>
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<tbody>
<tr>
<td>✓ Cut quickly, avoid delay.</td>
</tr>
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<td>✓ Take a long-term view.</td>
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<td>✓ Focus on core mission, purpose, and highest priorities.</td>
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<tr>
<td>✓ Invest in innovation and continuous improvement.</td>
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<td>✓ Manage revenues as carefully as expenditures.</td>
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<td>✓ Examine and improve organizational design and process.</td>
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<tr>
<td>✓ Foster stewardship and cost containment.</td>
</tr>
<tr>
<td>✓ Create a sense of inevitability, devise a workable schedule, and stick with it.</td>
</tr>
<tr>
<td>✓ Commit to communicating with all stakeholders.</td>
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</tbody>
</table>

With a large number of employees paid regularly and substantial purchases of goods and services, local governments are important economic agents. In a fiscal crisis, what, if anything, can local government leaders do to stimulate their economies? Justin Marlowe points out that the answer, according to public finance theorists, is local governments can accomplish little on their own. The actions they take, however, could exacerbate problems if they make cuts in ways that accelerate rather than counter the shrinkage of the local economy.

Leaders can mildly stimulate their local economies with several strategies: 1) increasing revenues or drawing down financial reserves to maintain or increase local government expenditures, and 2) expanding or accelerating local capital projects. In the current crisis as in previous situations, many cities are maintaining expenditure levels primarily by increasing charges but also by adjusting taxes and other revenues when possible (see Figure 5).

Furthermore, many local governments have accumulated financial reserves, ranging from 30 to 50 percent of their annual expenditures. Research shows that it is helpful to use reserves to prop up spending when revenues decline and to make local government fiscal decisions less counterproductive to economic stimulation. The positive effect of public spending is especially strong for public facilities and services that have a direct relationship to business and industry, including roads, bridges, storm water treatment, and other basic infrastructure. Present circumstances resemble the ideal conditions for local economic stimulus through capital improvements, and the federal stimulus package may provide the funding that is not available at the local level.
A third possible strategy would be for local leaders to emulate Congress by reducing local tax rates to encourage spending. Realistically, stimulus works differently at the local level. Reducing taxes has less impact on local consumer spending than maintaining programs and expenditure levels. The evidence suggests local consumer spending does not get a boost so much as savings, which enters a large pool distributed globally rather than locally.

Marlowe concludes that, ironically, the best option for local governments asked to do something to stimulate their local economies is to maintain current expenditure levels and expand capital improvements if local revenues, reserves, interest rates, and federal grant funds make it possible. This course of action, Jeff Chapman notes, is not typical. Commonly, he says, the state and local response to a change in economic activity tends to make downturns and upturns more extreme. Nearly all of the economics literature, however, estimates that cutting expenditures hurts the local economic recovery more than raising taxes.

Figure 5. City Government Revenue Actions in 2008

Economic development efforts can generate jobs and tax revenues during a recession. While fiscal economic development incentives do not work all that well, according to research estimates, to attract investment to a particular state, these incentives do become powerful at the local level after a developer has decided to move to a particular region. In particular, they may be more important during a recession; the private sector firm might be more sensitive to the impacts of the incentives because its profit margins may be smaller. The incentives, however, do not have to be solely in cash.

Factors besides fiscal incentives do matter in economic development, and some may have a bigger impact than tax gifts. For example, local community assets including infrastructure, a skilled workforce, and educational institutions matter to private sector firms in location and expansion decisions, as do factors with less direct impact, from the process of getting project approvals to the local government’s credit worthiness in the municipal bond market. A period of resource scarcity is an appropriate time for jurisdictions in a region to share incentives and benefits instead of pursuing new development as a zero-sum game.

Chapman contrasts fiscal stimulus with economic development. Developing the economic base must be considered more of a long-run play, involving careful planning, multiple analyses of many variables, and minimal expectations of quick payoff. State and local fiscal stimulus differs due to its emphasis on immediate effects.

**Conclusion**

*The current crisis forces local government leaders to face new challenges*

In this fiscal crisis so far, there is evidence that local government leaders have pursued a number of different goals with a variety of strategies and tactics. In general, the cutbacks have forced either proactive or reactive changes. Proactive efforts have aimed to create longer-term effectiveness, efficiency, and stability. The result is a positive difference for the organization compared to conditions that existed before the fiscal crisis began or that would have resulted from arbitrary actions.

In contrast, reactive efforts respond to events and aim to maintain the status quo until it is possible to restore the organization as it was before the fiscal crisis began. The reactive approach often involves across the board cuts, ignoring differences in importance and priority, failure to deal with the fundamental sources of inefficiency and instability, denial of fiscal sustainability problems, and an organization-wide sense that simply weathering the storm is appropriate.

The severity of the fiscal crisis a city or county faces does not determine which approach managers encourage their organizations to take. Some are overwhelmed by deep and successive reductions in resources. Other see a crisis as an opportunity for constructively shaping changes when declining resources make it impossible to continue business as usual. Important guiding principles, some of which are counter-intuitive, are clear from this research review:
• Insofar as possible, maintain spending rather than cutting revenues and eliminating even more programs and services. In particular, do not trim capital projects with limited impact on the operational budget.
• In making budget reductions, avoid across the board cuts that take funds away from higher priority programs and services along with those with lower priority.
• If reducing positions, avoid eliminating only vacant positions that either randomly distribute vacancies or leave high turnover agencies severely understaffed.
• Lead inclusively and encourage creativity and engagement at all levels of the organization rather than tightening controls and making top-down decisions.
• Draw on the organization and the community’s ideas and support, and use the crisis to identify how the organization can be strengthened.

In this economic downturn, lessons from past downturns, research, and practice show that we know what works and what does not to cope with the crisis and position local government organizations for strong, long-term development and change. Local governments should make cuts in strategic, programmed ways and look for ways to improve the organization while making changes forced by reduced resources.

Leaders can positively resize or restructure their organizations. Local governments better serve their residents and do more to counter the downturn by offering sound programs and services than by reducing revenues and cutting services indiscriminately. The governments that can take these steps toward renewal in a time of adversity will be better positioned to achieve higher levels of performance when the crisis ends.
Cities Taking Measures to Stimulate their Local Economies

by Will McGahan, Christiana McFarland and James Brooks

Building on national economic recovery efforts, local governments across the nation are strategically assessing the needs of their communities and employing creative solutions to stimulate business growth and development, create and maintain jobs, address severe housing concerns and leverage federal and private resources in new ways.

A review by NLC revealed that cities of all sizes are engaged in local economic recovery — either by implementing a coordinated, comprehensive local economic stimulus package or through targeted efforts, including new and retooled local programs.

The overarching goals of these local economic stimulus efforts include: affordable housing and reducing homelessness; foreclosure mitigation; commercial and neighborhood redevelopment; infrastructure; local business supports; keeping capital within the community; workforce development; and sustainability.

Examples include:

**Portland, Ore.**

Portland’s Job Creation and Business Stimulus Package invests $503 million in the local economy and is projected to create 4,985 jobs, strengthen local businesses, connect vulnerable homeowners and families to services and fast-track public projects.

In support of local businesses, Portland has created working groups charged with developing micro-lending and micro-credit programs to provide capital access to local entrepreneurs. The city is also developing a micro-exchange that would allow local investors the opportunity to invest directly in local non-public companies.

In an effort to revitalize commercial corridors and support small local contractors, the city has also increased the storefront grant budget to provide a 75/25 matching grant program (increased from 50/50). To view more details visit www.portlandonline.com/shared/cfm/image.cfm?id=225979.

**American Canyon, Calif.**

The American Canyon Can Thrive Now (ACT Now) plan is an effort by the city to provide economic relief to residents and businesses affected by the recession. The plan includes $100,000 set aside of city funds for a voucher program to assist customers in danger of having their water shut off.

ACT Now also encourages development by reducing the fee structure for building permits. Additionally, the plan seeks to spark business investment through local lenders by investing up to $3 million with local and regional banks that can commit to lending the money to local businesses and residents.
Flagstaff, Ariz.

Flagstaff has developed a plan to invest nearly $35 million in its local economy. The plan features flood control and street maintenance programs, as well as increased funding for tourism marketing and a sales tax waiver on hybrid vehicles purchased at local dealerships. The plan is predicted to generate about 300 new jobs and $13 million in new wages.

San Francisco

San Francisco’s local stimulus plan accelerates capital spending, invests in local businesses and supports the local work force by expanding existing efforts and introducing new initiatives.

One such initiative is the New Jobs Payroll Tax exemption whereby there will be no increases in payroll taxes for two years for existing employers and new employers will pay no new tax until 2011. The city will also provide free space to local artists in vacant storefronts, provide business tax credits for new locally purchased equipment, expand the banking literacy program for lower income residents, provide $23 million in no interest loans for local businesses, and expand health care supports for small businesses.

Details: Local actions to encourage economic recovery can be found in cities across the country. NLC will continue to collect information about local economic recovery efforts and would like to hear from you. If your community is engaged in these types of efforts, contact Will McGahan at mcgahan@nlc.org

Source URL: http://www.nlc.org/ARTICLES/articleItems/NCW41309/localtimulus.aspx
Engaging Residents to Make the Tough Choices

by Melissa Germanese, James Brooks and Christy McFarland

This is the second in NLC’s “An Economic View from Main Street” series of articles on topics and issues relating to cities and towns in the economic crisis.

As local fiscal conditions continue to spiral downward, many cities are combing their budgets, trying to find the “right” balance between service cuts, fee increases, hiring freezes and delaying capital projects. The “right” balance, however, is not easy to pinpoint and requires placing values and making judgments about particular services, activities and amenities.

The current economic crisis has required some local governments to take a quick, “across the board cuts” strategy. However, as the recession continues to take its toll, many communities are using the crisis as an opportunity to approach tough, complex and controversial budget decisions by seeking input from the community about their wants and needs, their evaluation of services and their priorities.

Engaging the community in the budgeting process is one way to help make more informed decisions, to strengthen trust with constituents, and to ease some of the political risks that come with budget cuts.

While a process to solicit and incorporate the visions and expectations of the community-at-large is more time-intensive, costly, and requires greater demands on city staff, the process has longer-term positive consequences, such as a greater sense of community and shared responsibility. The process requires that residents not only provide input, but also help implement and support changes, creating a situation where residents engage with local government to protect and advance the needs of the community as a whole, instead of a “vending machine” model of government, where people put in their taxes and fees and expect that much back in services.

There are many different methods for obtaining community input, including focus groups, surveys, meetings with neighborhood associations, and public hearings.

Local governments should be prepared to demonstrate how community input was used and continue the engagement process. Communities can incorporate initial input into a budget and then conduct ongoing engagement to measure citizens’ support for the plan and to continue community engagement.

For example, Eugene, Ore., actively engages with the community on an ongoing basis in a number of ways, including citywide surveys, targeted questionnaires, community forums and project workshops. The city has several standing citizen commissions, including a citizen budget committee, and a network of additional advisory panels of community members.

This ongoing, multi-faceted dialogue with the public provides the city with an understanding of community needs and priorities that the staff and city council rely upon to help in the budgeting process. Last year the council adopted a budget that maintained a stable level of services by finding savings and efficiencies to cover a few carefully considered changes to address the community’s priorities.
Even with a larger challenge this year due to the current economic environment, the city expects to be able to move closer to a long-term sustainable budget by implementing a combination of efficiency measures, user-fee increases and service adjustments based on staff and community input.

"We benefit from actively engaging many residents in our budget process and service delivery," said Eugene City Manager Jon Ruiz. "Because of the involvement of the public and the good decision-making of our city council and Citizen Budget Committee members, we know our budget reflects the community’s current priorities and we are in a better position now to handle the current economic crisis."

Community engagement can be used to solve many community issues beyond budgeting.

Local governments seek involvement by residents on issues as varied as: bond issues; education; race relations; land use; youth development; immigration; and economic development.

**Details:** NLC has a number of resources that can help city officials involve their communities in decision-making. For more information, visit the Governance and Structure Topic page on NLC’s website [www.nlc.org](http://www.nlc.org), or call Bonnie Mann at (202) 626-3125.

Democratic governance is the art of governing a community in participatory, deliberative and collaborative ways. A number of successful principles have emerged:

- Reaching out through a wide array of groups and organizations is critical for mobilizing large numbers of citizens, and many different kinds of people.

- Most public problems cannot be solved without the effort, energy, and ideas of citizens and their organizations (including churches, associations, businesses, nonprofit groups, schools, and media).

- In face-to-face dialogue, people can be expected to learn, empathize with people with different views and backgrounds, and change their own opinions.

- Large-scale, open-minded deliberation, where citizens consider a range of policy options, results in public decisions that are fairer, more informed, and more broadly supported.

- Giving people a sense of “political legitimacy”—a sense of status and membership in their community—promotes individual responsibility and leadership.

- When people have a range of reasons to participate, they are more likely to stay involved.


Source URL: http://www.nlc.org/ARTICLES/articleItems/NCW3209/engagingresidents.aspx
### Have the current economic conditions influenced or changed your financial habits in any way?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>14.9%</td>
<td>554</td>
</tr>
<tr>
<td>Yes</td>
<td>85.1%</td>
<td>3158</td>
</tr>
</tbody>
</table>

Total # of respondents 3712. Statistics based on 3712 respondents; 0 filtered; 0 skipped.

### What financial habits have you changed?  [Please select all that apply.]

<table>
<thead>
<tr>
<th>Response</th>
<th>Percent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refinancing some household debt</td>
<td>16.8%</td>
<td>528</td>
</tr>
<tr>
<td>Canceling memberships to clubs or subscriptions</td>
<td>40.7%</td>
<td>1281</td>
</tr>
<tr>
<td>Buying less clothing or buying in less expensive stores</td>
<td>75.2%</td>
<td>2367</td>
</tr>
<tr>
<td>Postponing large purchases or home improvements</td>
<td>65.3%</td>
<td>2055</td>
</tr>
<tr>
<td>Eating out less</td>
<td>80%</td>
<td>2517</td>
</tr>
<tr>
<td>Using my local library more and buying less media (books, CDs, DVDs)</td>
<td>36.5%</td>
<td>1150</td>
</tr>
<tr>
<td>Driving less and am using alternative transportation (biking, walking, public transit)</td>
<td>39.1%</td>
<td>1231</td>
</tr>
<tr>
<td>Planning a less expensive summer vacation</td>
<td>45.8%</td>
<td>1440</td>
</tr>
<tr>
<td>Planning an in-state vacation</td>
<td>28%</td>
<td>880</td>
</tr>
<tr>
<td>Leveraging expanded credit opportunities</td>
<td>9.7%</td>
<td>305</td>
</tr>
<tr>
<td>Other:</td>
<td>15%</td>
<td>473</td>
</tr>
</tbody>
</table>

Total # of respondents 3712. Statistics based on 3147 respondents; 0 filtered; 565 skipped.
Please indicate whether you . . .

<table>
<thead>
<tr>
<th>. . . use Denver’s Recreation Centers</th>
<th>Never</th>
<th>Once in a while</th>
<th>Frequently</th>
<th>Response Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>47%</td>
<td>37.4%</td>
<td>15.6%</td>
<td>3630</td>
</tr>
<tr>
<td>(1705)</td>
<td></td>
<td>(1359)</td>
<td>(566)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>. . . visit Denver’s Public Libraries</th>
<th>Never</th>
<th>Once in a while</th>
<th>Frequently</th>
<th>Response Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>22.9%</td>
<td>42.3%</td>
<td>34.8%</td>
<td>3669</td>
</tr>
<tr>
<td>(840)</td>
<td></td>
<td>(1552)</td>
<td>(1277)</td>
<td></td>
</tr>
</tbody>
</table>

Total # of respondents 3712. Statistics based on 3690 respondents; 0 filtered; 22 skipped.

In order to assist in addressing the City’s budget shortfall, would you prefer to:

<table>
<thead>
<tr>
<th>Response</th>
<th>Percent</th>
<th>Response Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce recreation center hours system-wide</td>
<td>48.7%</td>
<td>1758</td>
</tr>
</tbody>
</table>

| Close specific recreation centers that are underutilized/have low attendance | 51.3% | 1850 |

Total # of respondents 3712. Statistics based on 3608 respondents; 0 filtered; 104 skipped.

In order to assist in addressing the City’s budget shortfall, would you prefer to:

<table>
<thead>
<tr>
<th>Response</th>
<th>Percent</th>
<th>Response Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce library hours system-wide</td>
<td>58.9%</td>
<td>2124</td>
</tr>
</tbody>
</table>

| Close specific libraries that are underutilized/have low attendance | 41.1% | 1480 |

Total # of respondents 3712. Statistics based on 3604 respondents; 0 filtered; 108 skipped.
Following are some ideas for savings or revenues for 2010, along with the range of savings each could generate. Please mark the top five choices that you believe should be considered for the 2010 Budget. (The City will likely implement a number of options to close the 2010 Budget gap; not just one of these options will be adequate.)

<table>
<thead>
<tr>
<th>Idea</th>
<th>Response</th>
<th>Percent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Streets: Less street maintenance</td>
<td>12.2%</td>
<td>451</td>
<td></td>
</tr>
<tr>
<td>(Street surfacing, street sweeping, slower pothole repair—currently the average response time is 1 day; more than $1 million in expenditures could be reduced)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parks: Allow parks to be less green, less watering</td>
<td>36.3%</td>
<td>1340</td>
<td></td>
</tr>
<tr>
<td>(Currently, parks are watered 2-3 times a week, depending upon season and park; a decrease of 1/3 of water expenditures would be approximately $1.1 million)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recreation Centers: Increase the recreation center membership fees to more adequately cover costs</td>
<td>29.7%</td>
<td>1096</td>
<td></td>
</tr>
<tr>
<td>(Currently adult fees range from $13 - $17 per month; a 10% increase could generate an additional $200,000 annually)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Street Medians: Decrease median maintenance</td>
<td>28.5%</td>
<td>1052</td>
<td></td>
</tr>
<tr>
<td>(Less landscaping, watering; more than $250,000 could be reduced in median maintenance expenditures)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denver’s customer service center: Reduce the hours of the customer service line (311)</td>
<td>47%</td>
<td>1734</td>
<td></td>
</tr>
<tr>
<td>(Currently open from 6am – 11pm seven days a week; a reduction in hours could decrease expenditures between $75,000 – $145,000 annually)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trash Collection: Implement a user fee for property owners for trash collection</td>
<td>40.4%</td>
<td>1489</td>
<td></td>
</tr>
<tr>
<td>($10/month could generate $20 million)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suggestion</td>
<td>Response</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>----------</td>
<td>-------</td>
<td></td>
</tr>
<tr>
<td>Trash Collection: Implement a user fee for property owners for large item pick up ($10 per pick up could cover the current expenditures of $1.4 million)</td>
<td>49.6%</td>
<td>1830</td>
<td></td>
</tr>
<tr>
<td>False Alarms: Charge fees for false fire alarms (There is a fee for non-accidental, false burglar alarms of $50; charging the same amount for false fire alarms could generate $500,000 in fines)</td>
<td>49%</td>
<td>1808</td>
<td></td>
</tr>
<tr>
<td>Denver 8: Reduce Denver 8 programming to cover City Council and other Public Meeting coverage only; no additional programming (Possible decrease in expenditures could be between $450,000 - $550,000)</td>
<td>56.7%</td>
<td>2090</td>
<td></td>
</tr>
<tr>
<td>Alternative Sentencing: Alternative sentencing for non-violent offenses resulting in a reduction in jail population (Cost to the City per inmate per day is $60 - $70)</td>
<td>48.3%</td>
<td>1782</td>
<td></td>
</tr>
<tr>
<td>Elections: Under Colorado law, specific elections may be conducted by mail ballot. (Conducting these specific elections by mail only could result in a possible decrease in expenditures ranging from $85,000 to $125,000.)</td>
<td>49.4%</td>
<td>1821</td>
<td></td>
</tr>
<tr>
<td>Other suggestion(s):</td>
<td>25%</td>
<td>923</td>
<td></td>
</tr>
</tbody>
</table>

Total # of respondents 3712. Statistics based on 3687 respondents; 0 filtered; 25 skipped.

Your questionnaire responses are anonymous. Would you like to assist us in the analysis of the data by providing some demographic information?

Zip Code: 3246

Total # of respondents 3712. Statistics based on 3246 respondents; 0 filtered; 466 skipped.
Your questionnaire responses are anonymous. Would you like to assist us in the analysis of the data by providing some demographic information?

### Gender:

<table>
<thead>
<tr>
<th>Response</th>
<th>Percent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>56.7%</td>
<td>1936</td>
</tr>
<tr>
<td>Male</td>
<td>43.3%</td>
<td>1476</td>
</tr>
</tbody>
</table>

Total # of respondents 3712. Statistics based on 3412 respondents; 0 filtered; 300 skipped.

### Race/ethnicity:

<table>
<thead>
<tr>
<th>Race/ethnicity</th>
<th>Percent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>78.3%</td>
<td>2591</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>10.6%</td>
<td>351</td>
</tr>
<tr>
<td>African American</td>
<td>4.5%</td>
<td>149</td>
</tr>
<tr>
<td>American Indian</td>
<td>0.9%</td>
<td>29</td>
</tr>
<tr>
<td>Asian</td>
<td>1.1%</td>
<td>38</td>
</tr>
<tr>
<td>Other</td>
<td>4.6%</td>
<td>152</td>
</tr>
</tbody>
</table>

Total # of respondents 3712. Statistics based on 3310 respondents; 0 filtered; 402 skipped.

### Range which captures the year of your birth:

<table>
<thead>
<tr>
<th>Year Range</th>
<th>Percent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Born 1900-1945</td>
<td>7.8%</td>
<td>266</td>
</tr>
<tr>
<td>Born 1946-1964</td>
<td>41.2%</td>
<td>1399</td>
</tr>
<tr>
<td>Born 1965-1980</td>
<td>42.3%</td>
<td>1435</td>
</tr>
<tr>
<td>Born 1981-2000</td>
<td>8.7%</td>
<td>294</td>
</tr>
</tbody>
</table>

Total # of respondents 3712. Statistics based on 3394 respondents; 0 filtered; 318 skipped.

Please use this space for any additional comments or suggestions you may have.

<table>
<thead>
<tr>
<th>Response</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>722</td>
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</tbody>
</table>

Total # of respondents 3712. Statistics based on 722 respondents; 0 filtered; 2990 skipped.
FISCAL CRISIS CHECKLIST AND RESOURCE GUIDE

EVALUATE THE SITUATION

Understanding the budget, including revenue and expenditure projections, is the first step in evaluating a jurisdiction’s claims of a budget deficit or budget “crisis.”

- *Knowing the Numbers: A Guide to Public Budget Analysis*
  http://www.afscme.org/wrkplace/ktntc.htm

- *Making Sense of Budgets*
  http://www.afscme.org/wrkplace/cbr298_2.htm

ACTION PLAN

Identify Additional Revenue Sources

- *Digging for Dollars*

- Easing the Local Government Squeeze
  http://www.afscme.org/action/fiscal02/squeeze.pdf

- Institute on Taxation and Economic Policy:
  - *The ITEP Guide to Fair State and Local Taxes* – ITEP provides a very thorough review of current tax policy at the state and local level. Everything anyone could ever want to know about state and local taxes can be found in this report.
    http://www.itepnet.org/guide.htm
  - *ITEP Policy Briefs* – These are short two-page briefs that examine important state and local tax issues. They mirror the *ITEP Guide to Fair State and Local Taxes*.
    http://www.itepnet.org/iteppub.htm#brief

- *PILOTs (Payments in Lieu of Taxes) Give Local Government Revenues a Lift*
  http://www.afscme.org/wrkplace/cbr202_1.htm

Review Expenditures and Spending Priorities

- *Budget Gimmicks: “The Good, the Bad, and the Ugly”*
  http://www.afscme.org/wrkplace/cbr301_5.htm

Review Public Bonds and Borrowing
• **Public Bonds** – Learn the process of issuing bonds, get familiar with the leading players in the bond market, and understand how public borrowing affects budgets and public services and infrastructure. Includes a special focus on financing private prisons with public debt.
  http://www.publicbonds.org/

**Review Fund Balances**

• *Appropriate Level of Unreserved Fund Balance in the General Fund*, Government Finance Officers Association, 2002
  http://www.gfoa.org/services/rp/budget.shtml#10

**Review Workers’ Compensation Costs – Improvements in workplace health and safety programs can reduce these costs.**

• *Safe Jobs Now: An AFSCME Guide to Health and Safety in the Workplace*
  http://www.afscme.org/health/safetc.htm

**Question Privatization Contracts – Identify Work to Bring Back In-house.**

• *Power Tools for Fighting Privatization*
  http://www.afscme.org/private/toolstc.htm

**Protect Health Benefits and Pensions Against the Budget Ax**

**Health Benefits**

• *Health Plan Information Request – What You Need to Know to Evaluate Your Health Plan’s Usage*
  http://www.afscme.org/wrkplace/hpfir.htm

• Flexible Spending Accounts

• “Consurmer” Driven Health Plans

**Pension Benefits**

• *Pensions: Gambling Our Futures*
  http://www.afscme.org/wrkplace/cbr297_2.htm

• *Defined Benefit vs. Defined Contribution Debate*
  http://www.afscme.org/wrkplace/pensdeba.htm
- A Comparison of Defined Benefit and Defined Contribution Pension Plans  
  http://www.afscme.org/wrkplace/defined.htm

Review Alternatives to Layoffs

- Put Down that Ax: Alternatives to Layoffs  
  http://www.afscme.org/wrkplace/cbr301_1.htm

Develop Bargaining Strategies

- Bargaining in Uncertain Times  
  http://www.afscme.org/wrkplace/cbr102_2.htm

Identify New Ways of Working

Use union-only and joint labor-management teams or committees to gather ideas on how to increase revenues, reduce costs, and improve quality through changes in work processes

- Redesigning Government: The AFSCME Approach to Workplace Change  
  http://www.afscme.org/wrkplace/redgo.htm

  http://www.dol.gov/asp/programs/history/reich/reports/worktogether/

- Partners for Change – Case Studies of AFSCME Labor-Management Partnerships  
  http://www.afscme.org/private/tools10.htm

- Public Sector Labor-Management Committee - Public Service, Public Savings: Case Studies in Labor-Management Initiatives in Four Public Services (Education, Police, Social Services, Water)  
  http://www.pslmc.org

Target and Challenge Business Tax Breaks, Low Interest Loans and Other Forms of Corporate Welfare

  http://www.goodjobsfirst.org/research.htm

- Rethinking Growth Strategies: How State and Local Taxes and Services Affect Economic Development
CREATE A CAMPAIGN

Present the AFSCME Plan to Policy Makers and Taxpayers through Coalitions and the Media

- Local Union Lobbying: How to Support it With Coalition Building and Media Relations
  http://www.afscme.org/action/lobbying.htm
LONGER TERM STRATEGIES UNDER CONSIDERATION

Government Reorganization and Consolidations

• *When Governments Merge or Break Apart: Issues for the Union*
  [http://www.afscme.org/wrkplace/cbr202_2.htm](http://www.afscme.org/wrkplace/cbr202_2.htm)

Regional Tax-Base or Revenue Sharing

• *Fact Sheet*
  [http://www.naiop.org/governmentaffairs/growth/rtbrs.cfm](http://www.naiop.org/governmentaffairs/growth/rtbrs.cfm)

Smart Growth – Sprawl

  [http://www.goodjobsfirst.org/gjfpubs.htm](http://www.goodjobsfirst.org/gjfpubs.htm)

Metropolitan Agenda

• *A Progressive Agenda for Metropolitan America*, Bruce Katz, The Brookings Institution
  [http://www.brookings.edu/urban/publications/200405_katzgreenbook.htm](http://www.brookings.edu/urban/publications/200405_katzgreenbook.htm)

Prepared by AFSCME Department of Research and Collective Bargaining Services, June 2004
The following are areas for your consideration, for the imposition of user fees as you prepare your government's budget:

**Animal Regulation:**
- Adoption with Surgery
- Adoption without Surgery
- Animal Registration
- Bite Investigation
- Boarding
- Euthanasia
- Guard Dog inspections
- Impounding
- Kennel Operation Permits
- License fees - Cats, Dogs other animals
- Rabies Investigations
- Rabies Vaccinations
- Special Investigations

**Fire:**
- Ambulance Fee
- Aviation Building Fire Inspections
- Bonfires
- Emergency Medical Services
- Explosives
- False Alarm Penalties
- False Alarms
- Fire Alarm Permit
- Fire Call Fee
- Fire Inspection Fee
- Fire Permit
- Fire Call Fee
- Fireworks Permit
- Fumigation Permit
- Hazardous Materials
- Protection Outside City/Village Contract
- Protection Outside City/Village Fees
- Sprinkler Permit
- Standpipe Permit
- Underground Permit
- Weld/Cutting Permit

**Health/Environment/Education:**
- Adult Congregation Living
- Adult Immunization
- Ambulance Company
- Ambulance Driver permit
- Ambulance Vehicle Permit
- Bartender License
- Basic Transports
- Building Rental
- Building Lease
- Childhood Immunization
- Convalescent Transports
- Day Care
- Detention Centers
- Emergency Medical Technician Training
- Emergency Transports
- Family Planning
- Food Establishment Occupancy Inspection
- Food Manager Certification
- Food Outlets
- Food Processor
- Food Service
- Foster Homes
- Frozen Dessert
- Frozen Dessert Non-Profit
- Hospitals
- Incinerator Permit
- Intermediate Care Facility
- Laboratory
- Landfill
- Liquid Waste Permit
- Massage permit
- Milk Samples
- Mobile Food Vendors
- Non-Profit Food Establishments
- Nursing Homes
- Produce Establishments
- Rest Facility
- Retail Food establishments
Parks and Recreation
Amphitheater
Arts and Crafts Courses
Athletic Camps
Athletic Fields
Athletic Programs
Beach Administration
Beach Parking
Campgrounds
Classes/Activities
Docking
Gardens
General Parks Maintenance
Golf Course
Group Picnics
Life Guard Services
Parks Enforcement
Pools
Rental
Reserved use of Picnic Areas
Stump Removal
Tennis Centers
Touring Drama/Performing Arts
Tree Planting
Tree Removal
Tree Trimming
Zoo

Planning and Development
Abandonment petitions
Adult Use Permit
Amusement Permits
Application for Condominium Use
Base Building Line Waivers
Building Additions
Building Alterations
Building Inspections
Building Permits
Building Repair
Building Replacement
Carnival Permit
Change of Use Permit
City Map Amendment
City Plan Amendment
City Street Closure
City Text Amendment
Conditional Zoning Map Amendment
Development Plat
Dockage Fees
Drainage Plan Review
Duplicate Licenses
Electrical Inspection- Change of account
Electrical Inspection - Exam Review
Electrical Inspection - Large Community
Electrical Inspection - Load Control Development
Electrical Inspection - Mobile Home
Electrical Inspection Commercial
Electrical Inspection - Residential
Electrical Permits
Elevator Permits
Exception Variance and Waiver
Extension of Approval of Plat
Final Commercial Sub-Division Plat
Final Residential Sub-Division Plat
Foundations
Inspection and Contract Extension
Lake Maintenance and Easements
Landfill Review
Loud Speaker Permit
Map Amendment
Maps - Road
Master Plan Review
Mobile Homes
Mobile Homes Moved
Moving
Moving of Structures
Name Change
Occupancy Permit
Out-Of-Business Permit
PD-H Map Amendment
PD-H Waivers
Paving Liens Administrative Fee
Plan Review
Plat and Plan Review
Plumbing Inspection - Backflow License
Plumbing Inspection - Certifications
Plumbing Inspection - Cross Connection
Plumbing Inspection - Mech. Permit
Plumbing Permit
Preliminary Community Sub-Division Plat
Preliminary Resident Sub-Division Plat
Release of Liens
Replace C.O.
Rezoning Application
Sign Permits
Specification and Plans
Street Closure
Street Dedication
Street Plan Only
Sub-Division On-Site Review
Sub-Division Plat Review
Text Amendment
Use Permit
Variances
Water District Application
Wetlands permit
Wrecking
Zoning Permits
Zoning - Business License
Zoning - Dwelling
Zoning - Site Review
Zoning - Maps

**Police/Sheriff**
Accident Report
Airport Patrol
Alarm System Monitoring
Civil Process
Concealed Weapons
Contractual Services
Copies of Reports
Crime Statistics
DWI/DUI Videos
False Alarms
False Burglar Alarms
Federal Prisoners
Fingerprints
Funeral Escorts
Homicide Reports
Identification Letters
Identification and permits
In- House Arrest/Work Release
Information Reports
Issuance of Permits
Jails
Letters of Clearance
Marine Corps Training
Mug Shots
NRA Fire Arms Instructor Course
Name Checks
Offense Report
Personnel Checks
Pistol Range
Precious Metal
Public Vehicle
Record Check
Reports and Record Checks
Scene Photos
Statistical Research Reports
Tapes for Attorneys
Taxi
Title and Lien Search
Towing and Storage
Toxicology Services
Training
Warrant Lists
Weapon Purchase

**Public Works**
Administrative Fee
Annual Mobile Crane Permit
Copies - Regular
Copies - Special
Dangerous Bmldings
Delinquent Court Appearance Fee
Driveway Permits
Elevator Permits
Flood Plain Inquiries
Garage Sales
Gas Inspection
House Movers License
House Moving Permit
Housing Code
Landfill
Lateral Sewer Permit
Library Non-Resident
Library Room Rental
Line Service
Mobile Home Hardship
Mobile Home Inspection
Mobile Home Park Permit
New Building Occupancy Permit
Occupancy Inspection
Parade Permits
Parking Facilities
Parking Reg./Meters
Paving Permit
Pipe and Structure Installation
Plant Electrical Inspections
Plumber Cut
Pole Permit
Prefab Buildings
Print Reproduction
Rent of Auditorium
Rent of Public Room
Returned checks
Right- of- Way Connections
Road Cuts
School Bus Drivers License
School Vehicle License
Secretary Copies
Sewer Cut
Solid Waste Services
Spa Pools
Storm Sewer Permit
Street Line Surveys
Sub-Division Review
Taxi Drivers License
Trailer Parks
Utility Cuts (Street Maintenance)
Utility/Mobile Home Permit
Vendor Permits
Warrant Fee
Water Cut
Water Main Permit
Water Systems - Community
Water Systems - Non-Community
Water Systems - Other
Water Systems - Private
Wide Load Permits
Wrecker Applicant
Wrecker Drivers License

Other
Bad Checks
Clerk's Copies
Local Court Costs
Secretary Copies

Impact Fees
Civic Center
Library
Medical
Municipality
Parks
Roads
Schools
Imagine you're sitting down with the mayor of a city struggling with a budget shortfall, looking for ways to increase revenue and avoid cuts in your members' jobs and benefits. The mayor won't even consider a tax increase. Frustrated and at an impasse, you look out the window, see that it has started to snow outside, and notice a city snowplow passing in front of the hospital across the street. Then you notice that most of the pedestrians are students walking toward the expansive campus of the private university located a couple blocks away. You ask the mayor, "Do you collect any taxes on the nonprofits in the city?" The mayor replies, "Just some fees, a tax on the electric bill, things like that. But nothing close to what we would get if we could tax the value of the real estate. Why do you ask?"

With the recent downturn in the economy and the return of shortfalls to local government budgets, jurisdictions around the country — like the city in our example — find themselves in a difficult fiscal situation. While cities and counties have largely opposed raising broad-based taxes, many are looking for new sources of revenue. One strategy that some jurisdictions have used is to solicit payments from nonprofit organizations that are typically exempt from taxes. These "payment-in-lieu-of-taxes" arrangements, or PILOTs, are getting renewed attention today. PILOTs can be a good way for local governments to defray the cost of providing services for tax-exempt groups, and they can also provide badly needed revenue when budgets are tight and large amounts of local real estate are exempt from property taxes. However, jurisdictions considering implementing a PILOT need to understand what they are, how they work and how best to solicit payments from tax-exempt entities.

What are PILOTs?

PILOTs are voluntary or negotiated payments made by tax-exempt organizations (such as a nonprofit organization or sometimes another governmental entity) to local governments. The payment terms of PILOTs — as well as the types of payers and recipients — vary widely from case to case. Most PILOTs are voluntary payments made by nonprofit organizations. These payments can be largely symbolic donations by a nonprofit organization to a jurisdiction from which the nonprofit is exempt from taxes, or payments to cover the cost of police, fire, snow removal or other local services the nonprofit receives, or even major contributions that approximate or exceed what the jurisdiction would collect from taxing the property to promote the fiscal security of the jurisdiction or to fund a specific public initiative. Most of the time, the payments do not equal what the jurisdiction would collect if the property were taxed, but do provide at least some relief to the local government. Some well-known PILOTs include Harvard University's payments to Cambridge and Boston, Mass., and Yale University's annual payment to New Haven, Conn. Harvard paid Cambridge $1.6 million in fiscal year 2001 on tax-exempt property, and agreed in 1999 to pay Boston $40 million over 20 years for property it owns in that city. Yale contributes more than $2 million per year to New Haven on tax-exempt property for fire services, in addition to paying taxes on non-educational property.

Some PILOT programs are sponsored by governments. In Connecticut, the state government makes direct payments to local governments based on the amount of property owned by the state or by nonprofit colleges and hospitals. The state program pays a percentage of the taxes that would be paid if the property were not tax-exempt: for example, up to 100 percent of the lost value for correctional facilities; up to 65 percent for state hospital property; and up to 77 percent of the lost value for property owned by private, nonprofit colleges and hospitals. The state of Rhode Island also makes payments to local
communities for state-owned land. The federal government makes contributions to counties in 49 states and the District of Columbia for tax-exempt, federally managed land. Those payments (known as PILT payments) consider the amount of federally managed land in the county (not including office buildings, military facilities or correctional facilities), the county's population and other revenue shared with the county. These government-sponsored payments face criticism, however, for being insufficiently funded. Since these programs are subject to annual appropriation, the total amount of funds available to local governments is determined each year by state or federal legislators. Funding rarely if ever approaches authorized levels, and local government groups argue the payments are insufficient compensation for the loss of taxable property.

Other types of arrangements, such as economic development tax incentives, can provide for a negotiated reduction in property taxes for a business. These are also sometimes referred to as PILOTs. However, these arrangements involve private, for-profit businesses that are not normally exempt from taxes, are typically established by local industrial development agencies and result in lost revenue, not additional revenue. Some utilities also make PILOT arrangements with local communities on a separate basis from the property tax.

No statistics are kept nationally on the number of PILOTs in local jurisdictions, or on the amounts collected. However, there is evidence that jurisdictions have been more aggressive in soliciting PILOTs from local nonprofit organizations over the past 15 years. (See the information box for a selection of cities known to collect PILOT contributions from nonprofit organizations.)

Why do governments solicit PILOTs? Why do organizations pay them?

The reason local governments solicit PILOT payments is simple — they generate revenue. The rationales jurisdictions cite when soliciting contributions include the loss of revenue from tax-exempt property, the cost of local services to the organization, budget shortfalls and a civic duty to be a “good neighbor” to the community. In certain jurisdictions, the large amount and high value of tax-exempt property eliminates a large share of the tax base, adding to the burden on other residents and businesses. PILOT proponents argue that it is not fair for residents to pay higher property taxes so that relatively wealthy organizations can pay no taxes whatsoever, especially when they receive costly services.

No information exists on the number or location of PILOT programs nationwide. Here’s a selection of cities that collect PILOT payments from nonprofit organizations.

<table>
<thead>
<tr>
<th>Baltimore, Md.</th>
<th>Minneapolis, Minn.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston, Mass.</td>
<td>New Haven, Conn.</td>
</tr>
<tr>
<td>Indianapolis, Ind.</td>
<td>Palo Alto, Calif.</td>
</tr>
</tbody>
</table>

*Sources:* "PILOTs: A Comparative Analysis," Government Finance Review (June 1999); news reports.

The motivation for tax-exempt organizations to pay PILOTs is more complicated. Some organizations recognize the value of services they receive from the local government and are willing to pay their fair share of those costs. These organizations also may wish to generate good will in the community by contributing to local revenues. In many cases, however, a nonprofit only negotiates a PILOT or some other voluntary contribution after being approached by the local jurisdiction, or even faced with the prospect of some other, mandatory tax or payment levied by the local government.

In fact, a tension often exists between local jurisdictions and the nonprofit organizations based there — even among nonprofits already paying PILOTs. Differences over what is the appropriate amount to contribute arise when PILOT agreements are renegotiated, when the jurisdiction is experiencing fiscal difficulties, or when the nonprofit organization purchases additional property that subsequently becomes tax-exempt. Cities such as Washington, D.C., and Cambridge, Mass., have found it difficult to cope with
the fact that half of all property within their city limits is tax-exempt. The Bush administration's budget for fiscal 2003 proposes to cut federal PILT payments by 20 percent, which would impact many counties with a large federal presence, especially in the West. And smaller cities such as Worcester, Mass., and Urbana, Ill., have faced the erosion of their tax bases when colleges and other nonprofits purchase additional property. Harvard's recent 20-year PILOT agreement with Boston was negotiated after city officials were frustrated and alarmed by the university's purchase of 52 acres of property within the city.

For their part, nonprofits usually resist calls to begin or increase their contributions to local jurisdictions. They often respond by enumerating the positive beneficial impact they have on the locality, including creating jobs, making local purchases and paying miscellaneous taxes and fees. The nonprofits also may cite their accomplishments in serving community needs and warn that increased contributions to government will mean less of those services.

Local officials sometimes force the issue with nonprofits that have not contributed by halting or slowing building permits or zoning approvals, by proposing to levy some alternate tax on nonprofits or even by challenging the organization's tax-exempt status. The result is usually a negotiated settlement that allows the jurisdiction to collect some revenue while at the same time letting the tax-exempt organization project a positive image in the community and avoid an alternative that could be worse. That was the case in Baltimore, Md., last year, where 16 of the city's largest nonprofit organizations agreed to contribute $20 million to the city over 4 years, after the mayor dropped a proposed energy use tax on nonprofit organizations within the city. Several Pennsylvania cities and counties mounted legal challenges to local nonprofit organizations’ tax-exempt status in the early 1990s. Many of these attempts were successful in collecting PILOT payments even after they lost initial challenges in court.

Local governments are not universally successful in collecting PILOT payments from nonprofits, however. The city of Evanston, Ill., has been unable to get Northwestern University to agree to a PILOT arrangement, despite years of effort including a prior threat to enact a tax on student tuition. The city of New Berlin, Wis., dropped an effort to collect PILOT payments from a Lutheran Church day care center in 2000 after the church sued the city over the city's negotiating tactics, which included withholding zoning change approvals on the property.

Nevertheless, PILOTs remain popular with local politicians because they understand that taxpayers don't appreciate carrying a higher tax burden because some groups are exempt — especially when those exempt groups appear to have ample resources to pay.

**Instituting PILOTs in your local government**

Where PILOT arrangements between local government and tax-exempt organizations could be beneficial, the key is getting political leaders to act. A well-planned union political action campaign may be required to convince a county's board of supervisors or a city's mayor to approach nonprofit leaders.

The first step in any effort of this kind is education. Many political leaders show interest in the concept of PILOTs, but have little prior knowledge about them. Local union leaders can use the following themes to educate government officials about implementing a PILOT in your community:

**Make the first call**

Local political leaders contemplating a PILOT program should meet with local nonprofit organizations to gauge their willingness to contribute toward services and the jurisdiction's revenue base. In some cases, nonprofit officials are willing to help. For instance, Trinity College in Hartford, Conn., voluntarily contributes $6 million per year for an inner-city development project to its host city — even when the state government already makes grants to cities for nonprofits. Trinity makes the contribution because the college's leadership believes it their obligation to the city.
**Make your best case**

If your jurisdiction provides any services to local nonprofits, such as police, fire, snow removal or other services for which the local government is not reimbursed, that is an issue that may persuade the nonprofit of its obligation. It could also anger local taxpayers and give the nonprofit some less-than-desirable publicity. If the union can help the city calculate the cost of those unreimbursed services, that may help even more.

Similarly, if the local jurisdiction is forced to cut vital services because of a fiscal crisis, relatively wealthy nonprofit organizations may be willing to contribute to a PILOT in order to burnish their image in the community. Reluctant organizations may bear reminding that in times of economic hardship, a community's needy population needs services, not reminders of the positive benefits the nonprofit has made in the past.

**Make them blink**

In the end, since these contributions ultimately are voluntary, a jurisdiction's use of persuasion or negotiating tactics often make the difference between success and failure at getting nonprofit organizations to make PILOT payments. Local jurisdictions have in some cases reached agreement with nonprofits after proposing alternative taxes or fees, slowing development of commercial property by nonprofits, demanding payment for local services like fire service or snow removal, or even threatening to challenge an organization’s tax-exempt status. The former mayor of Ithaca, MY, described the process to The Chicago Tribune as, “OK, if you stick to every legal right that you have, we'll do the same. ... And things like building permits and zoning law, we will adhere to every fine line of the law.”

PILOTs can be an important source of revenue to augment property tax collections for many local governments, and can ease the tax burden on residents. Many cities have been successful in obtaining PILOT payments from nonprofit organizations in their communities — especially when the jurisdiction provides services to the organization, and when the local government's finances are impacted by the amount of tax-exempt property held by nonprofits. Local governments can pursue PILOT payments from nonprofits by approaching them directly with an appeal to their civic obligation or a demonstration of the cost of unreimbursed local services. As a last resort, jurisdictions can propose alternative taxes or fees on nonprofits, challenges to an organization's tax-exempt status or limits on further real estate purchases by nonprofit groups to prevent additional losses of taxable property.

For more information, please e-mail, call (202) 429-1215 or write to: AFSCME Department of Research and Collective Bargaining Services, 1625 L Street, N.W., Washington, D.C. 20036-5687.

Source URL: http://www.afscme.org/publications/9671.cfm
<table>
<thead>
<tr>
<th>Department(s)</th>
<th>Initiative</th>
<th>Estimated Cost Savings</th>
<th>Description</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citywide / Office of Fleet Management</td>
<td>Vehicle assignment and usage policies and procedures, take-home and fleet reduction</td>
<td>$7,000,000</td>
<td>Developing new policies, procedures, and processes to facilitate take-home and fleet reduction.</td>
<td>Take-home reductions have been cut in half; planned total fleet reduction of 500 vehicles/pieces of equipment.</td>
</tr>
<tr>
<td>Division of Technology (DOT)</td>
<td>IT Technical Support Consolidation</td>
<td>$1,500,000</td>
<td>Significant efficiencies have been identified through consolidating common IT work functions which are replicated across departments, such as IT help desk, PC support, network support, and server support activities.</td>
<td>Automating activities and centralizing over 700 computer servers will provide substantial efficiency savings in addition to lowering hardware and software support costs. Departmental reductions in Licenses and Inspections and Human Services totals $640,000. Citywide consolidation saves $850,000.</td>
</tr>
<tr>
<td>Philadelphia Zoo</td>
<td>Water Bill</td>
<td>$1,250,000</td>
<td>Philadelphia Zoo will now pay a portion of their water bill.</td>
<td></td>
</tr>
<tr>
<td>Citywide</td>
<td>Overtime Reduction</td>
<td>$13,000,000</td>
<td>Departments and agencies are working to make reductions in overtime by finding both cost efficiencies and operational efficiencies.</td>
<td>Overtime has been reduced and is expected to continue through FY10. The FY09 annualized savings is an estimated $13,000,000.</td>
</tr>
<tr>
<td>Fairmount Park Commission</td>
<td>Wood Waste</td>
<td>$91,000</td>
<td>Elimination of the wood waste reduction service. The Commission is now working with local haulers to remove material at no cost to the City.</td>
<td></td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>Out of school programming</td>
<td>$2,500,000</td>
<td>Consolidated underutilized out of school programming and began coordination with other external service providers.</td>
<td></td>
</tr>
<tr>
<td>Streets Department</td>
<td>Street Light Cost Reduction</td>
<td>$1,000,000</td>
<td>Reassessed planned amounts of street lights and determined that charges would be reduced.</td>
<td></td>
</tr>
<tr>
<td>Streets Department</td>
<td>Refuse Disposal Reduction</td>
<td>$3,600,000</td>
<td>Landfill tonnage avoided and reduced due to single stream recycling and waste minimization efforts.</td>
<td></td>
</tr>
<tr>
<td>Streets Department</td>
<td>Traffic Light Energy Reduction</td>
<td>$48,000</td>
<td>LED cost-efficient traffic lights will replace old light bulbs used in certain traffic lights around the City.</td>
<td></td>
</tr>
<tr>
<td>Department of Public Property</td>
<td>Duplicated Budget Item</td>
<td>$132,000</td>
<td>This budget item was removed as a duplicate in budget documentation for the Public Arts Compensation Agreement.</td>
<td></td>
</tr>
<tr>
<td>Revenue Department</td>
<td>Mail Center</td>
<td>$270,000</td>
<td>Implemented efficiencies to outgoing mail center through an elimination of one-time mailings and reduced mailing business privilege tax forms to businesses.</td>
<td></td>
</tr>
<tr>
<td>Citywide</td>
<td>Elimination of Vacant Positions</td>
<td>$8,400,000</td>
<td>Departments and agencies have eliminated positions that were budgeted for but not filled.</td>
<td></td>
</tr>
<tr>
<td>Public Health Department, Youth Violence Reduction Partnership</td>
<td>Transfer to Grant Funding</td>
<td>$60,000</td>
<td>Grant funding is now used to support some positions in these departments.</td>
<td></td>
</tr>
<tr>
<td>Division of Technology (DOT)</td>
<td>Mapping based on Police Districts</td>
<td>All departments now produce maps in a format that is used to provide for better and more strategic decision-making processes.</td>
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<td>Improved Departmental Performance</td>
</tr>
<tr>
<td>Office of Technology (OT)</td>
<td>E-Technology Support</td>
<td>$1,250,000</td>
<td>Developed new policies, procedures, and processes to facilitate technology staff.</td>
<td>Estimated Cost Savings</td>
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<td>-------------------------------</td>
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<td>-------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Division of Technology (DOT)</td>
<td>Vendor Rates</td>
<td>DOT is renegotiating rates for professional services contracts. Through renegotiation of contracts, the Division of Technology expects cost savings when comparing current vendor rates to rates paid for prior contract terms. DOT will continue this initiative in FY10, and additional savings are anticipated as expiring contracts are either renegotiated or rebid.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Division of Technology (DOT)</td>
<td>Project Intake Process</td>
<td>IT projects are funneled through DOT to help reduce development costs. By preventing individual departments from initiating standalone projects for the same activity, the City is better able to identify similar business needs across departments and create a single enterprise-level initiative, thereby greatly reducing development costs.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Division of Technology (DOT), Procurement Department</td>
<td>Information Technology (IT) Procurement Process</td>
<td>Developed new IT procurement processes to achieve greater efficiency in purchasing IT equipment, software, and services across the City. The new processes reduce spending on software by sharing excess software licenses with other departments when available and by recommending the use of lower cost or, in some cases, free products that will provide the same function. The new IT procurement process will also ultimately reduce staff time, and associated salary costs, by ensuring that the appropriate avenue of procurement is followed for the purchase of IT hardware and software.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citywide</td>
<td>Terminating Excess Communication Accounts</td>
<td>The City is terminating live communication (phone, Internet, Lotus Notes) accounts for former employees. Elimination of monthly line fees.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office of Housing and Community</td>
<td>Philly311 Knowledge Database</td>
<td>Philly311 in coordination with the Customer Service Reform Team have made the Philly311 knowledge database available to the public (<a href="http://www.phila.gov/philly311">www.phila.gov/philly311</a>). More articles will be made available, and the public will be able to track service requests made through Philly311 online. Also, the Customer Service Reform Team have made the Philly311 knowledge database available to front-line City government staff.</td>
<td>A centralized knowledge database will improve both internal and external customer service, allow customers to have better access to information, and increase cross-departmental collaboration.</td>
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</tr>
<tr>
<td>Water Department, Commerce Department, Streets Department</td>
<td>Development Process (current)</td>
<td>Developed new IT procurement processes to achieve greater efficiency in purchasing IT equipment, software, and services across the City. The new processes reduce spending on software by sharing excess software licenses with other departments when available and by recommending the use of lower cost or, in some cases, free products that will provide the same function. The new IT procurement process will also ultimately reduce staff time, and associated salary costs, by ensuring that the appropriate avenue of procurement is followed for the purchase of IT hardware and software.</td>
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<tr>
<td>Water Department, Commerce Department</td>
<td>Procurement Department</td>
<td>Developed new IT procurement processes to achieve greater efficiency in purchasing IT equipment, software, and services across the City. The new processes reduce spending on software by sharing excess software licenses with other departments when available and by recommending the use of lower cost or, in some cases, free products that will provide the same function. The new IT procurement process will also ultimately reduce staff time, and associated salary costs, by ensuring that the appropriate avenue of procurement is followed for the purchase of IT hardware and software.</td>
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<tr>
<td>Police Department, Public Health Department, Philadelphia Prison System, Human Resources Department</td>
<td>Hiring Process Times</td>
<td>Police realized approximately 25% reduction in hiring time for positions in the public safety and health. Expected Outcome: Reducing the time period to move a development project forward.</td>
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<tr>
<td>Office of Housing and Community</td>
<td>Settlement Grant Checks</td>
<td>Reduced the time to receive settlement grant checks to recipients. This was reduced from 3 weeks to 2 weeks to benefit customers.</td>
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<tr>
<td>Police Department, Public Health Department, Philadelphia Prison System, Human Resources Department</td>
<td>Project Intake Process</td>
<td>Reduced the hiring time for positions in the public safety and health. Police realized approximately 25% reduction in hiring time; Prisons approximately 20% reduction.</td>
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**Efficiencies Service Enhancements for FY09 and FY10 Budget**
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<tr>
<th>Initiative</th>
<th>Outcome</th>
<th>Estimated Cost Savings</th>
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</thead>
<tbody>
<tr>
<td>Department of Human Services, Recreation Department, Fairmount Park, Free Library of Philadelphia, Police Athletic League</td>
<td>Combined all summer youth program information into one report for parents, schools and citizens. Increased approximately 1,500 from last year and drastically increased enrollment from end of school year to middle of summer. Increased collaboration among seven different City agencies/departments.</td>
<td></td>
</tr>
<tr>
<td>Recreation Department</td>
<td>Facility Improvements</td>
<td>Recreation facilities have had physical improvements made. Physical improvements have been made to City recreation facilities aligned with the nine targeted Police Districts to support citizen recreational needs.</td>
</tr>
<tr>
<td>Free Library of Philadelphia</td>
<td>Student Library Cards</td>
<td>Every public school student was issued a Library card and any fines were forgiven for all registered students. Every student now has easy access to their local public library.</td>
</tr>
<tr>
<td>Language Access</td>
<td>Language Access Line</td>
<td>Expanded access to language interpretation services Citywide and have led a workgroup of over 20 experts from around the City in developing recommendations to make Philadelphia an international destination location. New procedures have also been put in place to better account for language access use.</td>
</tr>
<tr>
<td>Office of Housing and Community Development (OHCD)</td>
<td>Performance Based Evaluation</td>
<td>OHCD is in the process of designing a plan to use performance evaluations for all non-represented employees. A more performance-based method of evaluating staff will be implemented.</td>
</tr>
<tr>
<td>Department of Behavioral Health and Mental Retardation</td>
<td>Claim Process Improvement</td>
<td>Reduction in turn around time for the mental health claim payment processing. Contractors no longer have to wait as long for payment from the City of Philadelphia.</td>
</tr>
<tr>
<td>Office of Fleet Management, Office of Sustainability, Public Health Department</td>
<td>Compressed Natural Gas Program</td>
<td>Working on an RFP to bring a vendor in to design/build/finance a CNG station for City and public use. Improved air quality, helping to make Philadelphia a more sustainable city, less expensive fuel costs.</td>
</tr>
<tr>
<td>Commerce Department</td>
<td>Development Services Committee</td>
<td>Creation of a centralized working group to comprehensively address development issues. Better coordination between relevant agencies to better facilitate development projects.</td>
</tr>
<tr>
<td>Fairmount Park Commission</td>
<td>Reduction in Mowable Turf</td>
<td>Fairmount Park has utilized GIS to identify the typology of land in its portfolio and identified acreage that can naturally grow. Reduction in mowable land and projected annual cost savings.</td>
</tr>
<tr>
<td>Fairmount Park Commission</td>
<td>Electronic applications for mountain bike permits</td>
<td>Allowing users to submit electronic applications for mountain bike permits. Improved customer service with no increase in costs. Convenience of the new on-line system will result in greater quantities and easier to make donations which are requested to support trail maintenance, education and outreach programs.</td>
</tr>
<tr>
<td>Philadelphia Housing Development Corporation</td>
<td>Changes to basic systems repair program</td>
<td>Changes are being made to the application processes in the Basic Systems Repair Program to reduce the backlog of service requests. Cost reduction and improved ability to serve more clients.</td>
</tr>
<tr>
<td>Office of Supportive Housing (OSH)</td>
<td>Maintenance and Custodial Services</td>
<td>Existing OSH staff assumed the responsibility of providing custodial services at the Appletree Intake Center and maintenance services at 3 other emergency housing facilities. There are projected FY 09 cost savings and an annualized savings in FY 10.</td>
</tr>
<tr>
<td>Office of Supportive Housing (OSH)</td>
<td>Fernwood East Cottage at Riverview Boarding Home</td>
<td>By consolidating and streamlining Riverview operations and utilizing existing OSH staff at Riverview for Fernwood East operations, savings and efficiencies are realized. There are projected FY 09 cost savings and an annualized savings in FY 10.</td>
</tr>
<tr>
<td>Department(s)</td>
<td>Initiative</td>
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<tr>
<td>Fairmount Park Commission</td>
<td>Park Partners Volunteer Services</td>
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<td></td>
<td>Implementation of 'Park Partners' volunteer services agreement to establish standards and expectations to guide the relationship between Fairmount Park and our many partners. Over 70 'Friends of Parks' groups have signed agreements.</td>
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<td>In calendar year 2008, Park Partners donated over 123,000 hours in support of the park system.</td>
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<tr>
<td>Department of Licenses and Inspections</td>
<td>Enhanced Website Use</td>
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<td>The Department placed certification statements online for purchase and automated over 200,000 paper records in the zoning file room for online access.</td>
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<td>Reduction in administrative time to locate records and turnaround time for a product to customers.</td>
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<tr>
<td>Department of Licenses (L&amp;I) and Inspections</td>
<td>Reduced Permit Times</td>
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<td>L&amp;I has implemented customer service standards for residential and commercial permits.</td>
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<td>For the first time the Department is on average reviewing residential permits in under 15 days and commercial permits in under 25 days.</td>
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<tr>
<td>Office of Behavioral Health and Mental Retardation Services (DBH/MRS)</td>
<td>NIATx</td>
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<td>NIATx is a tool utilized by DBH/MRS used to make a significant difference in increased access to and use of services. The goal is to provide rapid access to care, improve client engagement and create a seamless transition between levels of care. Expected outcomes include: reduced wait times, reduced appointment no shows, increased admissions, and increased continuation between first and fourth sessions.</td>
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<tr>
<td>Office of Behavioral Health and Mental Retardation Services (DBH/MRS)</td>
<td>D&amp;A Residential Homeless</td>
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<td>Four licensed residential treatment providers have reconfigured their programs.</td>
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<td>More clients staying in treatment for longer periods of time, and able to better take advantage of independent living opportunities outside of the shelter, criminal justice and acute care systems.</td>
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<tr>
<td>Office of Behavioral Health and Mental Retardation Services (DBH/MRS)</td>
<td>Intensive Residential Assessment (IRA) process</td>
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<td>Allows for people in the judicial system to go directly into a participating D&amp;A residential program for two to four weeks for a comprehensive assessment and accurate Level of Care recommendation.</td>
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<td>The costs avoided are those connected with the cases having to go back before a judge because of Level of Care issues; better treatment planning, which results in longer stays in treatment and higher overall costs. More people are staying in treatment instead of being in prison.</td>
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<tr>
<td>City Representative's Office</td>
<td>Photography</td>
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<td>The Office is now providing electronic files as a standard, resulting in far fewer prints being produced. In addition, a Flickr account has been created to fulfill constituent requests for Mayor photos. In order to increase efficiency and reduce cost, print sizes have also been reduced. The Office is now providing electronic files as a standard, resulting in far fewer prints being produced. In addition, a Flickr account has been created to fulfill constituent requests for Mayor photos. In order to increase efficiency and reduce cost, print sizes have also been reduced.</td>
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<tr>
<td>Records Department</td>
<td>Electronic Document Recording</td>
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<td>The automated system enhancements include optical character recognition used to facilitate indexing and electronic recording. Currently, 35% of the total recording volume is submitted electronically by 144 companies. With electronic recording, documents can be recorded in one day in contrast to several days when submitted on paper.</td>
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<tr>
<td>Records Department</td>
<td>Online Access to Information</td>
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<td>Convenient and easy access to a number of records processed in the public service rooms is available in 24 x 7 on-line credit card enabled systems. These systems include recorded land records such as deeds and mortgages; traffic accident reports; and high resolution archival photo prints from the phillyhistory on-line system. Usage for all of the systems continues to increase.</td>
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### EFFICIENCIES SERVICE ENHANCEMENTS for FY09 and FY10 Budget

<table>
<thead>
<tr>
<th>Department(s)</th>
<th>Initiative</th>
<th>Estimated Cost Savings</th>
<th>Description</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Records Department</td>
<td>Campaign Finance Reports</td>
<td>$38,851,000</td>
<td>A new automation component implemented in FY09 has further reduced the manual labor required for capturing this information and posting it online.</td>
<td>Media and the public have faster access to campaign finance reports, allowing for more transparency in campaign finance reporting.</td>
</tr>
<tr>
<td>Philadelphia Prison System</td>
<td>Reduce Inmate Housing Contracts</td>
<td></td>
<td>Reduced number of inmates housed in outside jurisdictions (Monmouth and Passaic, NJ) by working with PA Department of Corrections to send 250 “state sentenced inmates” to state custody.</td>
<td>Significant cost savings are projected for the city and the inmate reduction should be completed by June of 2009.</td>
</tr>
<tr>
<td>Philadelphia Prison System &amp; Department of Public Property</td>
<td>Utility Reduction through Alternative Energy</td>
<td></td>
<td>Installed Solar Hot Water Heating system at Riverside Correctional Facility.</td>
<td>The Department of Public Property should see annual cost savings due to this initiative.</td>
</tr>
<tr>
<td>Philadelphia Prison System &amp; Department of Streets</td>
<td>Recycling Efforts</td>
<td></td>
<td>Initiated recycling of food service and institutional waste.</td>
<td>A cost reduction is anticipated through tipping fees for Streets Department.</td>
</tr>
<tr>
<td>Recreation Department</td>
<td>Public-private Partnership</td>
<td></td>
<td>Entered into partnership with Ed Snider Youth Hockey Foundation for operation of three City-owned ice rinks.</td>
<td>Cost savings to city and ice rinks remain open for citizens and families.</td>
</tr>
<tr>
<td>Public Health Department</td>
<td>Division Consolidation</td>
<td></td>
<td>The department is in process of integrating services and consolidating three divisions: Maternal, Child, and Family Health; Lead Poisoning Prevention; and Chronic Disease Prevention.</td>
<td>The consolidation will allow Public Health to address more coherently the underlying predictors of poor health outcomes, improve equity in access to health services, and reduce hospital readmissions and emergency department visits and cost.</td>
</tr>
<tr>
<td>Public Health Department</td>
<td>Transfer of Functions</td>
<td></td>
<td>The Department of Public Health transferred prenatal and family planning health care services from the Division of Maternal, Child, and Family Health to Ambulatory Health Services.</td>
<td>Allows for more efficient operations by transferring management of these services to a clinical setting.</td>
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**Total FY2009 Efficiency Savings: $38,851,000**
<table>
<thead>
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</thead>
<tbody>
<tr>
<td>Streets Department</td>
<td>Sustainable Litter Basket Collections</td>
<td>$875,000</td>
<td></td>
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<tr>
<td>Streets Department</td>
<td>Waste Minimization</td>
<td>$1,910,000</td>
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<tr>
<td>Streets Department</td>
<td>Incentive Based Recycling</td>
<td>$1,500,000</td>
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<tr>
<td>Streets Department</td>
<td>Restructure Condo Collections</td>
<td>$420,000</td>
<td></td>
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<tr>
<td>Public Health Department</td>
<td>Enhanced insurance reimbursement</td>
<td>$352,000</td>
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<tr>
<td>Public Health Department</td>
<td>Utilization Review Committee</td>
<td>$50,000</td>
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<tr>
<td>Citywide / Office of Fleet Management</td>
<td>Vehicle assignment and usage policies and procedures, take-home and fleet reduction</td>
<td>$1,525,000</td>
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<tr>
<td>Fire Department</td>
<td>Medical Transport Billing</td>
<td>$453,000</td>
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<tr>
<td>Procurement Department</td>
<td>Advertising Reduction</td>
<td>$419,000</td>
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<tr>
<td>Citywide</td>
<td>Overtime Reduction</td>
<td>$2,000,000</td>
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<tr>
<td>Citywide</td>
<td>Energy Reduction</td>
<td>$1,500,000</td>
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<tr>
<td>Department of Public Property</td>
<td>Elimination of Vacant Positions</td>
<td>$434,000</td>
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<tr>
<td>Commerce Department</td>
<td>Integration</td>
<td>$375,000</td>
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<tr>
<td>Revenue and Finance Departments</td>
<td>Postage, Materials and Supplies</td>
<td>$186,000</td>
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<tr>
<td>Finance Department</td>
<td>Risk Recovery</td>
<td>$510,000</td>
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<tr>
<td>Public Health Department, Managing Director's Office</td>
<td>Transfer to Grant Funding</td>
<td>$425,000</td>
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<tr>
<td>Public Health Department</td>
<td>Health Centers</td>
<td>$1,125,000</td>
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<tr>
<td>Department of Public Property</td>
<td>Reduction in lease (one-time cost)</td>
<td>$2.5 million</td>
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<td>Department(s)</td>
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<tr>
<td>Department of Public Property</td>
<td>Reduction in Communication Costs</td>
<td>The Department is planning on reducing the number of phone lines, cell phones, and blackberries.</td>
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<td>Expected savings to occur in FY10.</td>
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<tr>
<td>Office of Behavioral Health and</td>
<td>Workflow Automation</td>
<td>The Department is investing in the development of workflow automation and imaging systems.</td>
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<tr>
<td>Mental Retardation</td>
<td></td>
<td>The Department is planning on reducing the number of paper processes and increase employee efficiency.</td>
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<tr>
<td></td>
<td></td>
<td>Expected savings to occur in FY10.</td>
<td></td>
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<tr>
<td>Department of Human Resources</td>
<td>Online Submissions</td>
<td>Awarded a contract to implement software enabling job applicants and city managers to submit requisitions online.</td>
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<tr>
<td></td>
<td></td>
<td>Savings are expected to occur in FY10.</td>
<td></td>
</tr>
<tr>
<td>Philadelphia Prison System</td>
<td>Enhanced Security</td>
<td>Completed renovations to dormitories at Detention Center to permit reduction in security post coverage.</td>
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<tr>
<td></td>
<td></td>
<td>Expected savings to occur in FY10.</td>
<td></td>
</tr>
<tr>
<td>Citywide</td>
<td>Market Based Revenue Opportunities</td>
<td>Revenue generating marketing partnerships with the private sector.</td>
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<td>Cities with robust MBRO programs can generate an average of 2% of current locally generated revenue.</td>
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<thead>
<tr>
<th>Initiative</th>
<th>Estimated Cost Savings</th>
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<tbody>
<tr>
<td>Philadelphia Prison System</td>
<td></td>
<td>14,476,000</td>
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<tr>
<td>Citywide</td>
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In what he described as a “leap of faith,” Mayor Luke Ravenstahl of Pittsburgh agreed on Monday to shelve his plans for the nation’s first tax on college tuition in exchange for an increase in voluntary contributions from local colleges and universities to the city.

City officials said the mayor also had a promise from university officials to help lobby state lawmakers in Harrisburg for changes to enable the city to raise certain taxes and fees.

“This is a leap of faith for us all; the future of our city and of our citizens is riding on it,” Mr. Ravenstahl said. “But it is a leap of faith that, if successful, will result in the revenue, $15 million annually, that Pittsburgh needs to solve our legacy cost problem.”

City and university officials declined to offer details about the commitment, but at a joint news conference on Monday morning, officials from the University of Pittsburgh and Carnegie Mellon University said they had pledged to make larger voluntary donations to the city than they did from 2005 to 2007. In addition, some local corporations, including the insurer Highmark, are contributing additional money.

Earlier this month, Mayor Ravenstahl said that he had asked the universities and other tax-exempt nonprofit organizations to pay $5 million annually to the city, and that in lieu of the tax, he would find the other $10 million by dipping into reserves, cutting services and pushing the state legislature to increase the commuter tax rate.

The deal Monday ends a standoff between the city and officials from its 11 colleges and universities that was being watched closely by other cities struggling with similar budget gaps.

The so-called Fair Share Tax sought a 1 percent levy on college students’ tuition, which city officials said would raise $16.2 million annually.
Students and college officials in Pittsburgh had argued that the tax would set a bad precedent in altering the tax-exempt status of nonprofit organizations and pose an unfair burden on institutions that already contributed substantially to the city.

After universities initially turned down his request to increase their payments to the city, Mr. Ravenstahl said he was left with no alternative to imposing a tax. He said the money was needed to pay for pension costs and to offset the roughly $50 million in property taxes that the city forgoes from the tax-exempt status of nonprofit institutions.

Mary Hines, chairwoman of the Pittsburgh Council of Higher Education and president of Carlow University, said the announcement was a step in the right direction.

“"This time, the efforts will not be to plug a hole in the budget,” she said, “but to work together to find permanent funding streams to resolve the pension problem.”

But Ms. Hines was quick to emphasize that the deal involved entirely voluntary contributions, not long-term legal commitments.

“There has been no ‘agreement’ established between the city and the other member institutions,” she said. “Even the statement made today by the University of Pittsburgh and Carnegie Mellon University identified ‘handshake agreements,’ not finalized until the tax was actually removed from consideration.”

Mr. Ravenstahl said the city had already begun tightening its belt.

“We continue to consolidate services with other governments, achieving cost savings through joint purchasing, joint provision of services and any other avenue we can pursue,” he said. “We have reduced our work force by about 1,000 employees. We have stopped issuing new debt, going to a ‘pay as you go’ capital budgeting system.”

He added: “We have cut everything we can to the bone. Today is not the end of our work together. Today is only the beginning.”

Source URL:
City Council Report

Date: November 20, 2008
To: City Council
From: Christopher J. Brady
Subject: The New Economy – Creating Opportunity for Mesa in the Midst of Economic Change

THE FINANCIAL CHALLENGE.

The City of Mesa is faced with a new global economic reality that is requiring a change in the service delivery model for local government services. Mesa’s reliance on elastic, consumer-based revenues during a time of a receding economy has resulted in significant shortfalls in anticipated funding resources. Faced with dramatic and historic shortfalls of available resources, the City of Mesa is responding by recommending new approaches for service delivery and scaling back many of the current programs that are offered to the community. These recommendations will have significant impacts on the level of services residents currently receive and will especially impact many dedicated and loyal employees who are responsible for delivering these programs and services. The dramatic downturn in the economy since the beginning of this fiscal year requires that these new service delivery recommendations be implemented soon after January 1, 2009.

The anticipated economic outlook suggests that we will experience further reductions next year and will not realize recovery to previous year levels for some time in the future. As a result, we are proposing reduction recommendations that will remain in place for the mid- to long-term period.

The adopted budget revenue forecast for 2008/09 anticipated a modest economic downturn. However, this forecast is no longer valid. Unprecedented weak activity in the City’s retail and construction markets has resulted in current year-to-date sales tax revenue collections that are more than 12.5% below last year’s collections. This level of collections is expected to continue through the remainder of the fiscal year. The lack of construction activity has also resulted in less than expected impact fee receipts. In total, the estimated annual shortfall for general fund revenues and impact fees for 2008/09 is now estimated at $33M.

As we plan ahead for 2009/10, the City anticipates further declines in the economy and revenue collections. Based on financial trends and forecasts, we are expecting an additional $28.8M reduction in available resources. Taking immediate steps to
adjust revenue projections also helps us to appropriately adjust City expenditures and resource levels now without having to address these impacts later this year.

These adjustments do not assume any possible formula reductions in state shared revenues.

THE NEW ECONOMY & WHAT THIS MEANS FOR MESA.

We have all seen the headlines:

“U.S. Home Foreclosures Up 71%”
“Arizona Foreclosures Up 80%; Second Highest in U.S.”
“Bank Seizures Doubled”
“Auto Industry Seeking Federal Assistance”
“Personal Consumption Continues to Fall—Down 1.3%”
“Unemployment Expected to Reach 7% in 2009”

The common denominator for Mesa in these and other national economic trends is the ultimate impact on household discretionary income. Reductions in consumer spending have resulted in retail business closures, relocations and decreases in retail sales tax revenues for municipalities and the State. Aside from post September 11th and the 1989/90 recession, the City of Mesa’s sales tax revenue collections have generally increased during each of the last 24 years. For Mesa, a city that relies heavily on consumer spending and the associated tax revenues, we experienced a revenue decline in 2007/08 of -3.3%, and are now anticipating sales tax revenue shortfalls of -11% in 2008/09.

Furthermore, we already know that State Income Tax revenues are delayed (by law) by two years, thus offering cities an opportunity for advanced planning. Beginning next year, we will be receiving revenues collected in 07/08 where we know the State began experiencing dramatic declines in income tax collections. For every .5% decrease in Urban Revenue Sharing income taxes the State collects equates to approximately $4.9M reduction for the City of Mesa’s portion in those shared revenues. This year’s collections appear to be headed in the same direction with added declines … and impacting future revenues. Therefore, even if the legislature appropriately decides not to cut the formula for State-Shared revenues in 2009/10, Arizona cities will already experience dramatic decreases due to declining income tax collections.
MESA’S APPROACH FOR CREATING OPPORTUNITY DURING TIMES OF ECONOMIC CHANGE.

Amidst this economic uncertainty and change are opportunities to adjust how we provide services while maintaining Mesa’s strong financial model. The City has adopted policies that have created sufficient fund balances to absorb the current revenue shortfalls. In addition, and to the fullest extent possible, organization-wide adjustments are being planned within the context of the Mayor and City Council goal of “Building a Better Mesa” and the shared “Strategic Initiatives” created by the Council earlier this year. Staff’s intention is to find ways to shift organizational resources that help us retain focus on these initiatives and their successful implementation.

The City’s recommended response is multi-pronged and generally involves several approaches including, consolidation of departments, programs and activities, the implementation of new service delivery models, expanded outsourcing opportunities, departmental restructuring, and organizational-wide cost reductions and adjustments. Outlined below are a few examples of these preliminary recommendations. Specific detailed summaries will be provided at subsequent Study Sessions by the respective departments.

Organization-Wide Savings

- **Personnel Cost Reductions:** City employees are being asked to make a sacrifice that will help save approximately 169 positions (and their associated services) citywide. These reductions in personnel costs will begin in January 2009 and will include: 2% organization-wide base pay reductions, COLA and market adjustment eliminations, suspension of merit/performance pay. The estimated savings for these adjustments for the remainder of 2008/09 would be approximately $6.8M and for 2009/10, approximately $14.3M.

Management and Administrative Personnel Savings

- **Management and Administration Reductions:** Adjustments to personnel will occur at all levels of the organization, including executive management, administration and support. Currently, more than one-half of the positions identified for elimination are at the administrator, professional or professional support levels. An example of other changes includes the elimination of the Assistant City Manager position and the transfer of a Deputy City Manager out of the General Fund.
Focus on Critical Service Delivery

- **Public Safety:** Fire and Police response will focus on critical services such as patrol, fire fighting and emergency medical services (EMS). The Fire Department is also considering a strategic realignment of existing resources to provide for more efficient, mobile response to the EMS calls, reserving larger crews and equipment for fire-related response, and creating cost efficiencies. Today, more than 70% of fire calls for service are related to EMS. This new service model would allow the department to provide three or more two-person crews dedicated to EMS calls and to retain a minimum of 18, four-person crews for fire response.

Consolidation of Services

- **Development and Sustainability Department:** The Planning, Building Safety, Code Compliance, Environmental and Water Conservation Divisions are being consolidated into the “Development and Sustainability Department.” This allows for inter-department cross training and provides the ability to retain specific expertise (such as building inspectors) until such time that we will need to address future construction demands. In addition, and based on the Council’s Quality of Life Strategic Initiative, which seeks a sustainable and environmentally responsible development, the new Development and Sustainability Department will also include Environmental and Water/Energy Conservation programs to help us bring *Green Building* and other environmentally sustainable practices to the forefront of our development review practices. By consolidating these areas, we will enhance coordination, create a new sustainability focus, and be able to reduce personnel costs by eliminating upper level management positions.

As a way to consolidate, streamline and serve the development review process with available staff resources, staff will ask the Council to consider reducing the number of boards and commissions that require staff support.

New Service Delivery Model

- **Mesa Public Libraries:** Today, the City of Mesa has one Main Library (downtown) as well as two community branch libraries (Red Mountain and Dobson Ranch). In an effort to keep all libraries open, the changes being recommended include the following:

  **Mesa’s Main Library:**
  - From 7-day (Mon-Sun) to 6-day (Mon-Sat) schedule
  - From 62-hour to 50-hour service hour week
  - From 9.5 to 5 customer service stations
And, a 50 percent overall reduction in the collections/materials budget

- **Branch Libraries:**
  - From 6-day (Mon-Sat) to 5-day (Tues-Sat) schedule
  - From 46-hour to 39-hour service hour weeks
  - From 11 combined to 3.5 combined customer service stations

**Delivering Services within Existing Resources**

- **Parks, Recreation and Commercial Facilities:** This City department will seek Request for Proposals (RFPs) to consider additional savings through outsourcing. Today, we outsource most of our park maintenance budget. That service level is being re-evaluated and other City maintenance responsibilities, such as golf course maintenance and Convention Center event set up/operations will be considered for possible outsourcing. The City’s after school program is being discontinued at 20 locations, other after-school programs are being reduced overall in number and frequency and being consolidated within four recreation centers, i.e. Webster, Jefferson, Red Mountain and Washington. The City is considering the elimination of many youth and adult sports leagues. Additionally, we are moving toward a "regional pool" system, i.e. pools will continue to be maintained and available for school usage. However, summer recreation and instructional programs will be consolidated at the City’s regional pool locations, i.e. Brimhall, Carson, Shepherd, Stapley, Fremont/Skyline, Kino and Powell/Rhodes Pools.

**Serving Employees and Expanding Customer Service Accessibility**

- **Citywide 4x10 Schedule:** Beginning early next year it is recommended that the City adopt a citywide 4x10 work schedule. In a time of workforce and personnel cost reductions, this is one possible advantage that we are able to offer our employees and customers. In addition, other cities or state agencies who have implemented a 4x10 compressed schedule have demonstrated increased employee retention and have improved customer service by extending the number of hours during the day. The City of Mesa would expect some level of savings, which have not yet been quantified or included in the recommendations being presented to Council at this time. Furthermore, we believe that with some limited flexibility (i.e. voluntary shorter lunches to allow employees to either arrive later or leave earlier, comp time when employees work on scheduled days off, and other options being explored) we can accommodate the vast majority of our employees and their personal schedules/needs. Additional research and investigation is underway to create a seamless implementation program, which will include a community information component.
NEXT STEPS IN PARTNERSHIP WITH COUNCIL.

The City of Mesa will continue to look closely at the services we provide today, how we provide those services and to seek creative, cost-saving opportunities that allow us to:

- continue providing a variety of outstanding services to Mesa residents;
- pursue remarkable things for our community now and in the future; and
- respond to the Mayor and Council’s “Building a Better Mesa” goal and strategic initiatives.

Additional recommendations and information will be presented to Council in the coming months for direction and guidance. In the meantime, if you have questions or need additional information, please contact the City Manager’s Office directly. Thank you.

Christopher J. Brady, City Manager
CREATE DENVER
www.denvergov.org/CreateDenver

Create Denver seeks to strengthen the overall health and vitality of Denver by supporting the growth and development of the creative sector, including creative enterprises such as film, music, art galleries, art districts, fashion and graphic design and individual artists.

Create Denver is a sector-based strategy that includes policy recommendations, programmatic initiatives, technical assistance and advocacy. It seeks to leverage opportunities for impact through other City agencies such as the Office of Economic Development and Community Planning and Development.

Create Denver is an initiative of the Denver Office of Cultural Affairs (DOCA).

Programs
Create Denver Revolving Loan Fund (CDRLF)
Strengthening Denver’s Creative Sector One Loan at a Time
The CDRLF offers creative enterprises in the City and County of Denver access to affordable and flexible business capital at reasonable rates.

Creative Space Agent Web Site
Be an Agent for Creativity!
The Creative Space Agent is a Web portal that helps you find and advertise space for creative pursuits in the City and County of Denver. www.CreativeSpaceAgent.org

Create Denver Expo
The Expo is a day-long event that provides creative individuals and business owners a “one-stop” opportunity to learn of various small business services and programs that can help stabilize their creative enterprises and plan for the future.

Creative Enterprise Maps
These maps assist in cultural policymaking, featuring Denver’s non- and for-profit establishments whose core business is the creation, production, distribution and commercialization of creative goods and services.

Create Denver Friday eBulletin
The Create Denver Friday eBulletin is a weekly bulletin that alerts the creative community of business development, networking and learning opportunities that support the economic growth of Denver’s creative enterprises.

Creative Vitality Index
The CVI is a weighted measure of a basket of creative sector economic activities. The economic vitality of Denver’s creative sector, or Creative Vitality Index (CVI), is almost three times greater than the national average.

Previous Accomplishments (since 2005)
Mayor’s Task Force on Creative Spaces (MTFCS)
In January 2006, Mayor John W. Hickenlooper convened the Mayor’s Task Force on Creative Spaces to explore, examine and conceive—in the broadest of terms—efforts to preserve, expand, foster, and develop creative spaces in Denver.

Space Matters Report
The MTFCS final report, Space Matters, supplies 20 recommendations on how to preserve and develop creative space in Denver.
**Retirement incentive program projected to save City at least $11 million annually**

Mayor John Hickenlooper announced today that 322 employees took advantage of a retirement incentive program offered by the City earlier this year.

“The retirement incentive program was a win-win for the City and for employees who chose to accept the offer,” Mayor Hickenlooper said. “The City expects to see an annual savings of at least $11 million in future years because of the vacancies created by the retirements. We are grateful for the service these employees provided to our community and wish them well in the next chapter of their lives.”

The City announced Aug. 31 it was offering a voluntary retirement incentive program for all employees covered by the Denver Employees Retirement Plan who were at least 65 years old or who were at least 55 years old and met the Rule of 75 – that is, their age and years of service to the City added up to at least 75. The City offered the retirement incentive to ease the 2010 budget crisis and help reduce the number of employees who were laid off.

The final number of employees who were laid off is not yet available, but it should be under 80 employees – down from the 176 lay-offs expected when the proposed budget was released in September.

There were 932 employees eligible for the retirement incentive program. Approximately half of positions left open by the retirements will be filled to avoid interruption of vital services to the community.

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**Contact:**
Communications Director Eric Brown or Deputy Comm. Dir. Sabrina D’Agosta
W. 720-865-9016
[eric.brown@denvergov.org](mailto:eric.brown@denvergov.org)
[sabrina.d’agosta@denvergov.org](mailto:sabrina.d’agosta@denvergov.org)
Reducing Health Insurance Costs

Dec 1, 2009 12:00 PM

Township evaluates factors that escalate health costs, offers employees incentives to stop smoking, lose weight and adopt healthy habits

A few years ago, Upper Merion Township, Pa., officials began addressing the skyrocketing costs of their self-funded, 100 percent employer-paid health insurance plan by analyzing employees' health claims and prescription drug use. Upper Merion contracted with Bethesda, Md.-based WellNet Healthcare to compile an overview of its past, present and future health care cost scenarios, including individuals who posed the biggest health risks and potentially the biggest health care costs. Using that information, the township began working with employees to improve their health.

Upper Merion also negotiated with the union and non-union employee groups to share health care costs. To help offset employees' costs, the township introduced an incentive points system to encourage employees to pursue healthy habits. Employees can earn points for completing a smoking cessation program, a weight management program or enrolling in an exercise plan, and use the points to deduct from their contributions to the health care plan.

Township officials also now consolidate pharmacy claims data that is available to the Human Resources and Finance departments. The information gives an overview of employee health patterns and warning signs, so township officials can make decisions about cutting costs and limiting future increases. Employees also have begun using a Web portal, where they can communicate with care managers, claims specialists and providers, research conditions, compile electronic medical records, review medications and claims, track spending and manage incentives.

So far, 26 percent of the high and moderate risk employees have worked with care managers, up from 5 percent before the incentive program was in place. Township officials expect to avoid $300,000 in costs and risks to the total medical plan annually as a result of the program. "January 2009 brought with it a significant change in how health care costs would be managed into the future. Upper Merion's leadership is committed to creating an environment in which the long-term goal is a healthier workforce, which will, in turn, reduce the overall costs of our health care plan," says Fred Santoro, Upper Merion's director of human resources.

Project: Health care cost controls
Jurisdiction: Upper Merion Township, Pa.
Agency: Human Resources and Finance departments
Vendor: Bethesda, Md.-based WellNet Healthcare
Results: 26 percent member engagement; $300,000 in costs and risks avoided

Source URL: http://americancityandcounty.com/admin/employee-health-incentives-200912/?cid=200912inissue5
5 steps to plan energy management programs that show results

Keeping energy costs under control is a huge challenge for local governments nationwide, and as concern about global climate change increases, a growing number of communities are using energy management plans to attack both issues. Energy use and energy costs are tightly intertwined, making it possible for local governments to be both fiscally and environmentally responsible through proper management.

How much energy a local government uses affects both its costs and how much greenhouse gas (GHG) it emits. Every unit of energy has a related quantity of GHG emissions; the more energy used, the more emissions created.

However, the efficient use of energy is not the be-all, end-all of sustainability or energy management. Renewable energy — like solar, wind and emerging technologies — has an important role to play. Reducing employee commuting and travel also can help local governments reduce their environmental impacts. A comprehensive energy and sustainability program will include elements of all three, but will do so in a way that maximizes benefits and minimizes costs. It also will extend through all levels of the local government, from policy makers to public works departments to the treasurers’ offices to facilities staff. That does not usually mean big changes or greatly increased workload for employees, because small changes add up to big results.

The key to a successful energy management program is the quality of the planning behind it. The following five steps are designed to help local governments plan strategies to reduce their energy use and energy bills.

1. MAKE A COMMITMENT

More than 1,000 mayors have signed the Washington-based U.S. Conference of Mayors’ Climate Protection Agreement, pledging to work toward meeting the carbon emissions reduction targets set out in the Kyoto Protocol. There are many other international, national, state and regional initiatives that municipalities can join to show commitment, as well. Vocal support from policy makers, such as mayors, councilors, selectmen and municipal managers, is usually enough to build on. It also helps to set up a committee or working group, which can include government officials and community members, to guide the planning effort and implementation.

2. DEFINE BOUNDARIES

The group’s first step should be to define a boundary that describes what the plan will cover and what it will take responsibility for. It is best to start with the aspects of a community’s emissions that the local government controls, such as government and community facility heat and electricity, vehicle fleets and streetlights — in short, the energy use that the city or county pays for directly. In the long run, communities will have the greatest positive effect and generate the largest emissions reductions by helping residents reduce their home energy use, but it is a good idea to start small and build over time.

3. DETERMINE YOUR BASELINE

With a boundary established, the next step is to determine the energy use and emissions within that boundary for a chosen year, which will act as the baseline for goal setting and measuring progress.
The simplest way to do that is by using utility and fuel bills. Those documents have all the necessary quantity and cost data to calculate emissions by source.

Knoxville, Tenn., chose 2005 as its baseline year and compiled energy use and cost data for its buildings, fleets, streetlights, waste stream, and employee commuting, which many municipalities include in emissions despite the fact that they do not pay for it. Knoxville found that its energy use accounted for nearly 80,000 tons of equivalent carbon dioxide emissions (eCO2, the units used to measure GHG emissions), with one-third attributable to buildings alone. Its energy costs for the year were nearly $8 million.

4. SET GOALS

The baseline calculations provide the framework for setting realistic, achievable goals. Goals should take the form of a percentage of emissions reduction below the baseline year.

5. CHOOSE PROJECTS

The next step is the most exciting and potentially the most complex: choosing which projects to pursue. The options will vary based on geography, demographics and population, among other factors. It is important to pick projects that make both financial and environmental sense.

Saco, Maine, chose to pursue both a highly visible wind power project and less flashy efficiency measures, such as replacing incandescent light bulbs with compact fluorescents, replacing inefficient appliances in city buildings, and upgrading to LCD computer monitors. The efficiency improvements yielded a net annual savings of more than $13,000 and about 60 tons of eCO2, and the wind turbine provides power to city buildings. The turbine also has become a symbol of Saco’s commitment and a source of civic pride.

Any plan should consider how to access funding opportunities, because they often are the difference between pursuing a project and shelving it. “We want to create a lasting investment instead of just spending our money,” says Meg Parulis, town planner in Westbrook, Conn., where First Selectman Noel Bishop led an initiative to leverage grant money into an energy management plan. “There are so many possibilities out there — programs we can participate in, grants we can pursue. It’s hard to sort through it all. However, if we do the analysis, create a plan, and set priorities, we can pick projects that work for us and pursue grant money to implement them.”

Many communities also build outreach and education programs into their plans. Miami, for example, lays out educational aspects for each initiative it describes in its 2008 climate action plan. That includes promoting alternative commuting, providing energy efficiency information to residents, and publicizing available tax incentives for energy efficiency and renewable energy generation.

PLANNING PAYS OFF

Having a plan in place that is built on a solid foundation of data and analysis can answer those questions definitively and provide a clear benchmark against which to measure the success of any projects or initiatives. “Alternative energy projects are great if they make sense, and that’s the hard part,” Parulis says. “We’re not going to do it just to be ‘green.’ It has to be practical. It has to be pragmatic. Planning gives us the information we need to make good decisions.”

Jay Sheehan is senior vice president, and David Bouffard is a project engineer for Portland, Maine-based Woodard & Curran.

Source URL: http://americancityandcounty.com/topics/green/energy-management-plan-200912/?cid=200912topstory4
IT departments can save more money with energy efficiency plans, report says

In 2009, local governments continued to reduce energy costs in their information technology (IT) departments, according to a report released by Vernon Hills, Ill.-based CDW Government (CDW-G). However, fewer of them had energy reduction plans in place than in the previous year, a trend that some officials and CDW-G say should change.

Fifty-one percent of the local governments surveyed with defined and enforced IT energy plans in place said they had reduced IT energy costs in 2009, up from 46 percent in 2008. At the same time, 42 percent reported having an energy management strategy in place, down six percentage points from 48 percent in 2008. The report says that implementing IT energy guidelines maximizes savings.

Orlando, Fla.'s plan has helped the city take an overarching approach to reducing energy costs and saving money, says Mayor Buddy Dyer. In 2007, Dyer instituted an energy-efficiency plan called “Green Works Orlando.” As part of the program, the city replaced 3,000 aging desktop and laptop computers with newer, more efficient models, a move that is expected to save the city $7,400 in energy expenses every year. The city also is designing all new city buildings to comply with the Washington-based U.S. Green Building Council’s Leadership in Environmental and Energy Designs standards.

Hutto, Texas, which saw its population grow from 1,200 at the start of the decade to about 17,000 now, realized in 2005 it needed to maintain its IT infrastructure without significantly increasing costs. Without a specific energy plan in place at the time, the city embarked on several measures to stem energy costs before it got too late. They included virtualizing three of the city's 15 servers (partitioning one physical server computer into multiple “virtual” servers), replacing older computers and purchasing Energy Star-certified equipment. The city now is beginning to formulate a concrete energy plan to save more money and further reduce energy costs, says Tim Howell, Hutto's IT manager. “I can see us having specific energy plans down the road that will call for us not to exceed purchased energy levels, annual energy reduction goals, and renewable energy goals,” he says.

_Bryan Yurcan is a New York-based freelance writer._

Source URL: http://americancityandcounty.com/technology/it-energy-efficiency-plans-200912/?cid=200912

*issue3
The city of Tempe is hoping to prove wrong the whole idea that money doesn't grow on trees. Of course, Tempe officials know it doesn't, but they're hoping a little cost-effective and socially-conscious recycling will make it seem that way.

With the city council's approval earlier this month, Tempe is launching a pilot program that will take residents' green waste (such as trees, shrubs and grass), compost it, and reuse it in the city's parks and community gardens.

It is expected that the program will save the city about $43,000 in landfill costs. Thus, money growing on trees. Only in this case, they are dead trees, as well as random branches, brush and grass clippings.

Still, it's all green, in color and in theory.

"The part we really like is it really is a sustainable kind of taking Tempe's green waste, turning it into compost and bringing it back into the community for use," John Osgood, deputy public works manager for field operations, said. "We've got the three stages of sustainability: environmental, social and cultural, and financial. We think this program encompasses all three of those."

The city has agreed to a one-year contract, which will not exceed $244,000, with Singh Farms with options to renew for four years. It will cost the city $20 a ton to dump the green waste with Singh Farms, and $20 a cubic yard to buy back processed compost.

Currently, the city pays $24.62 a ton to dispose of green waste at the landfill, and a minimum of $30 a cubic yard for compost mix. The program will allow Tempe to divert more than 9,000 tons of green waste from the landfill to Singh Farms over the course of one year.

Osgood said city officials will begin the program by working with four neighborhoods where they think the idea will be easily received. They'll need some cooperation from residents. The city can't do all of the work.

Residents will not receive a special green waste bucket. The green waste program will be part of the bulk pick-up service, so residents may be asked to sort their green waste from their broken-down desks and beat-up bicycles they leave for bulk trash.

Osgood said these are the kinds of things the city will work out over the next few months. The city might even arrange for a sweep and help sort before the bulk trucks come by. City officials will also conduct a cost-benefit analysis of the program in its first year, as well as receive some training from Singh Farms on mass composting.

Osgood said city officials like the idea of using the city's own waste to replenish ball fields and parks.

"The compost is very high quality and we would imagine it would eliminate the need for pesticides at the parks," he said. "It's just kind of the right thing to do in terms of sustainability."

Source URL: http://www.azcentral.com/community/tempe/articles/2009/12/21/20091221tr-green1223.html
States are not alone in feeling the fiscal squeeze. Two-thirds of city officials responding to the National League of Cities’ annual survey of fiscal conditions reported that their city will be less able to address financial needs in fiscal year 2003 than 2002. This is the highest percentage of city officials predicting a worsening of conditions since the end of the last recession in 1993. A quarter of the states cut aid to localities in their FY2003 budgets, and additional cuts can be expected as state financial situations worsen.

With limited hope of relief from the state and federal levels, local governments will have to explore other ways to increase revenues. Many of the following strategies are drawn from AFSCME's *Digging For Dollars*, which is available at [http://www.afscme.org/wrkplace/digtc.pdf](http://www.afscme.org/wrkplace/digtc.pdf). Additional information is also available from the Research and Collective Bargaining Services Department.

**Increase Revenue Collection**

- Invest in tax administration to improve enforcement and collection rates
- Discourage property tax delinquency with market interest rates and penalties
- Conduct annual audits of utility and other franchises

**Broaden the Revenue Base**

- Keep real property assessments current
- Seek non-profit and governmental Payments in Lieu of Taxes (See "Pilots Give Local Governments a Revenue Lift" at [http://www.afscme.org/wrkplace/cbr202_1.htm](http://www.afscme.org/wrkplace/cbr202_1.htm)).
- Reform tax-exemption policies
- Limit tax abatements (See Good Jobs First's - “Economic Development for the People: Making Corporations and Governments Accountable” at [http://www.goodjobsfirst.org/crp/oct01.htm](http://www.goodjobsfirst.org/crp/oct01.htm)).
- Seek voluntary service contributions from properties with tax abatements

**Increase or Establish New Sources of Revenue**

*Taxes*

- Create local sales or income taxes
- Broaden the base of existing sales and income taxes
- Create or increase excise taxes (Utility; Vehicle – Wheel Taxes; Hotel/Motel; Eat-in Meal/Beverage; Amusement; Parking; Real Estate Transaction) or redirect existing taxes to the General Fund.
**User Charges**

- Conduct annual reviews of business-related fees, permits, and licenses to insure charges cover the cost of providing the related service, inspection, etc.
- Review Enterprise Funds (water, sewer, solid waste) to eliminate inappropriate General Fund subsidies
- Increase bridge tolls, parking meter and public parking charges
- Establish fire protection service charges for classes of property with extraordinary high fire protection costs – A few local governments have developed parcel-based fees for fire protection
- Use Development Impact Fees to support the construction of new public facilities associated with new housing and commercial development

**Other**

- Establish region-wide, cross-boundary Tax Sharing Arrangements
- Create Regional Compacts to support central city cultural and educational resources
- Refinance existing debt at lower rates and/or longer terms
- Sell or lease unused local property or other assets, lease it back if necessary

Department of Research and Collective Bargaining Services, December 2002
Governor Paterson announced today that the Department of Labor's Shared Work program saved more than 10,500 jobs statewide in the first eight months of this year, attracting more than 1,800 companies to participate – more than three times the number of companies that took part in Shared Work in all of 2008.

“During this economic crisis, government needs to respond and the Shared Work program has delivered time and time again,” said Governor David A. Paterson. “Helping keep one company from laying off one worker is a good day, helping keep over 1,800 companies from laying off more than 10,000 workers is striking and a prime example of government working for the people.”

Commissioner M. Patricia Smith said Shared Work has performed exactly as intended, saving jobs while allowing companies to cut costs and survive in this difficult economic climate. The Commissioner pointed to the success, as she called for more companies to contact the Department of Labor to take advantage of the program.

Thomas Marusak, founder and President of Comfortex Corporation in Watervliet, NY, whose company has been using the Shared Work Program for at least a decade, encourages other businesses across the state to take advantage of the program. “If you don't know about the Shared Work program, you have to seek out an application to this program immediately because it's one of the best programs that New York State offers.”

Shared Work gives employers an alternative to layoffs. Rather than lay off a percentage of workers to cut costs, an employer can reduce hours of all or a particular group of employees. Those employees can use the program to collect unemployment insurance benefits to make up for the lost wages. The Shared Work program allows employees to retain their health insurance, retirement, vacation pay or other fringe benefits.

The benefit for a participating company is they keep the skilled and trained worker during the economic downturn. When business picks up, the employer does not have to find new workers and train them.

“If you are a business in trouble and you're thinking of laying off workers -- before you make a move, contact the Department of Labor to see what we can offer you.” said Smith.
Martina Julian, a Comfortex employee, says the program saved her job. “I would have had to take another job to help pay for my bills and everything,” she noted.

To participate in the program, an employer must have at least five full-time (35-40 hours/week) employees, and have paid (or its predecessor paid) UI tax contributions for at least a year. Employers must apply to the Liability & Determination Section at least two weeks before the start of the program.

A Shared Work plan must include:

- a reduction in work hours between 20 - 60%
- benefits may not be used to pay existing part-time employees
- no reduction in fringe benefits
- no extension beyond 53 weeks
- approval by the NYSDOL Liability & Determination Section before implementation
- the employer cannot hire more workers for the group covered by the plan
- the plan must be in lieu of a layoff of an equivalent percentage of the workforce
- all employees in an affected unit reduce their hours by the same extent (different units may reduce varying percentages)
- in union shops, the collective bargaining unit must agree to the Shared Work Program

Employees who would normally qualify for regular unemployment insurance benefits in New York State are eligible to participate in the Shared Work Program. Because Shared Work is an alternative to layoffs, a plan cannot result in payment of more benefits than would have been paid if a total layoff occurred. Individuals can collect 20 weeks of Shared Work benefits and may be able to collect beyond this through additional funding. However, any additional emergency or extended benefits will require federal legislation.

Companies can apply for the Shared Work program at: [http://www.labor.state.ny.us/ui/dande/sharedwork1.shtm](http://www.labor.state.ny.us/ui/dande/sharedwork1.shtm)

In addition, a business interested in applying for the Shared Work program on behalf of its workers can call (518) 457-5807.