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BUDGETING AND FINANCE

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APRIL 2024

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ICMA
International City/County Management Association

Financial Management Yesterday, Today, and Tomorrow

Fundamentals drive strong financials for local governments in all economic conditions. | BY MARC A. OTT

There is no doubt that the pandemic created a precarious financial situation for local governments when demand for local services far exceeded capacity. Despite careful and creative budgeting, local government leaders found themselves scrapping programs and long-term strategies to cover the immediate needs of their communities. Local government managers and their teams went to heroic lengths to ensure the health and safety of residents in unprecedented conditions. As the country emerged from the crisis, the economic outlook for state and local governments improved and remains strong at least for the near-term.[1]

A cornerstone of local government leadership—in fact one of ICMA's 14 Leadership and Management Core Practices—is financial management and budgeting. I recall one of the first ICMA "green books" to appear on my bookshelf was *Management Policies in Local Government Finance,* accompanied by the practical *A Budgeting Guide for Local Government.* Data shared by our members tells us that fundamental sound budgeting principles continue to drive planning and spending—resident and staff engagement remains at the top of the list.

MARC A. OTT is CEO/Executive Director of ICMA, Washington, D.C.

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icma.org

April 2024

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ICMA
777 North Capitol Street, N.E.
Suite 500
Washington, D.C. 20002-4201

EDITORIAL OFFICE:
pm@icma.org

ADVERTISING SALES:
Justin Wolfe, The YGS Group
717-430-2238
justin.wolfe@theygsgroup.com

ICMA MEMBER SERVICES:
800.745.8780 | 202.962.3680
membership@icma.org

ICMA
Creating and Supporting Thriving Communities
ICMA's vision is to be the leading association of local government professionals dedicated to creating and supporting thriving communities throughout the world. It does this by working with its more than 13,000 members to identify and speed the adoption of leading local government practices and improve the lives of residents. ICMA offers membership, professional development programs, research, publications, data and information, technical assistance, and training to thousands of city, town, and county chief administrative officers, their staffs, and other organizations throughout the world.

Public Management (PM) aims to inspire innovation, inform decision making, connect leading-edge thinking to everyday challenges, and serve ICMA members and local governments in creating and sustaining thriving communities throughout the world.

Cities and Counties Post-Recovery

The 2023 City Fiscal Conditions report[2] released by our partner, the National League of Cities, cited several takeaways:

- The cautious approach by many cities in 2023 yielded increased reserves and limited spending, demonstrating that local governments remain good stewards of public dollars.
- Despite the challenge of inflation, the average city experienced more than a 6% increase in general fund revenues. Inflation is more manageable, and cities are reaping some benefits of lower inflation.
- Direct federal aid through the American Rescue Plan Act (ARPA) and the bipartisan infrastructure law were among the factors that had a positive impact on cities' ability to balance their 2023 budgets.
- Many cities are still very cautious in their budgeting. They anticipate potential risks and uncertainties in the post-COVID era as they plan for the current and next fiscal year. Among the concerns for local leaders is the expected end of federal funding through ARPA.

The National Association of Counties shared highlights of its 2024 County Economies report as well. Some takeaways include:

- Housing availability and affordability is the top inhibitor of population and business growth.
- Expanding broadband is a top investment priority for counties, along with access to childcare.
- In 2023, over half of counties had natural disasters impact their local economies.
- Populations shifted to less dense areas with a lower cost of living.

The budgeting process is an opportunity to encourage innovation, outside-the-box thinking, inclusiveness, commitment, and of course, courage.

Innovation Remains Important

A cautious approach to budgeting does not necessarily mean eschewing innovation. You don't have to look deeply into the ICMA website to find examples of ICMA members and staff sharing innovative initiatives ranging from boosting upward economic mobility for marginalized citizens to practical uses of AI in local government. In fact, our Local Government Reimagined Conferences (lgr.icma.org), which kick off this month, celebrate experimentation, change, and creative problem solving.

I would be remiss if I didn't reinforce my strong belief that the budgeting process also provides an excellent opportunity to demonstrate leadership skills. I already mentioned the importance of engaging all stakeholders in the process. It's also an opportunity to encourage innovation, outside-the-box thinking, inclusiveness, commitment, and of course, courage. It is an opportunity to allow others to explore boundaries and share their vision for creating a more vibrant community. Rather than walking away from the process feeling depleted, it's the time to get energized and begin anew. PM

ENDNOTES AND RESOURCES

[1] https://www.stlouisfed.org/on-the-economy/2024/feb/are-state-local-governments-strong-fiscal-position

[2] https://www.nlc.org/resource/city-fiscal-conditions-2023/

ICMA Calendar of Events

APRIL

FORUM 2024: NFBPA Local Government Conference
April 3 | Baltimore, Maryland

Live Demo: Doing More for Less with Zencity's Essentials for Small and Medium Communities
April 3 | Webinar

MissionSquare presents: Financial Planning Basics: How to Set and Achieve Your Goals
April 9 | Webinar

Local Government Reimagined Conferences: Explore the Future of AI in Local Government
April 10 | Boston, Massachusetts
June 5 | Palm Desert, California

Leveraging Brownfield Funding and Resource Roadmapping
April 12 | Webinar

eScribe presents: Insights from the 2024 State of the Clerk's Office Report
April 16 | Webinar

Elevating Excellence: Effective Community Engagement
April 17 | ICMA Coaching Webinar

Solace in the South Conference
April 18 | Conference

Effective Supervisory Practices
April 18 | Online Training Series

ICMA High Performance Leadership Academy
April 22 | Online Course

Psychological Safety
April 25 | Online Workshop

MissionSquare Research Institute presents: Impact of Student Debt on the Public Workforce
April 30 | Webinar

MAY

Transforming Town Meetings with Teletownhalls
May 8 | Webinar

Build Success by Creating and Communicating a Powerful Vision
May 15 | ICMA Coaching Webinar

The Future of Work
May 16 | Online Workshop

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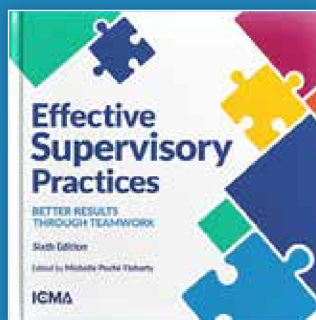

Course Begins April 18

SCAN ME

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For a full listing of events and details, visit icma.org/events. Shop all courses at learning.icma.org

How does the ICMA Code of Ethics influence professional local government?

ICMA asked U.S. state association ethics committee chairs about the ICMA Code of Ethics. State associations are critically important partners with ICMA in promoting ethics in the local government management profession.

Matt Mueller, ICMA-CM

Town Manager, Little Elm, Texas
Chair, Texas City Management Association Ethics Committee

ICMA member since 2001

"The council-manager form of government was founded by challenging the status quo and rebelling against the corrupt and unfair practices of the time. As local government professionals today, we provide the frontline services that our stakeholders need to live safe and fulfilling lives. For 100 years, the ICMA Code of Ethics has been the promise that we will administer those services in a professional and fair way to all stakeholders. It serves as an invaluable tool to communicate with elected officials and members of the public, as well as my team, so they understand where my values lie and what I use as a framework for evaluating difficult decisions."

Brett Channing

Assistant City Manager, Corona, California
Co-chair, Cal-ICMA Ethics Committee

ICMA member since 2008

"I first learned about the ICMA Code of Ethics when I joined ICMA as a graduate student. As I have moved up the ladder in my career, I have continued to refer to it when encountering ethically challenging situations. To me, the Code really helps my faith in the council-manager form of government, simply in knowing that my colleagues around the world are also abiding by the same Code. It helps garner trust from the communities and councils we serve, and it demonstrates that we have our core values clear. The Code has guided our profession for the last 100 years and, as a result of that, I couldn't be more proud to be part of this profession." PM

SHARE YOUR STORY

In celebration of the 100th anniversary of the ICMA Code of Ethics, ICMA invites members to reflect on how the Code has influenced them personally and professionally. Your association wants to hear from you! **icma.org/ethicsstory**

CONTACT US

ICMA encourages members seeking confidential advice on ethics issues to contact Jessica Cowles, ethics director, at jcowles@icma.org or 202-962-3513. Answers to common ethics issues and questions are also available at icma.org/page/ethics-issues-and-advice.

100 YEARS
ICMA CODE OF ETHICS
Established 1924

Core Values of Tenets 1 and 2

Budget season reminds us of our commitment to the community and our profession. | BY JESSICA COWLES

April can be a grueling month for those who serve in local government management and, like I did, follow a July to June fiscal year. Days, evenings, and even weekends are filled with committee meetings, workshops, and public hearings on the budget. The effort is a heavy lift for departments and especially for the manager's office and finance staff on top of day-to-day responsibilities.

When a councilmember or resident becomes critical of the budget, it can lead to moments of self-doubt and thoughts like "Do my long hours have the intended impact?" The answer is that public servants continue to choose this profession over other career paths because we prioritize the needs of our community. This isn't the easy route, and it is made even more difficult when you operate in a fishbowl. This profession takes a toll personally and professionally, and I would guess most have unseen scars to prove it.

This fundamental public service principle for our profession is recognized in the first version of the ICMA Code of Ethics from 1924 (thankfully updated today with more inclusive pronouns and titles!):

> "A City Manager will be known by his works, many of which may outlast him, and regardless of personal popularity or unpopularity, he should not curry favor or temporize but should in a far-sighted way aim to benefit the community of today and of posterity."

We all need moments to renew and uplift both ourselves and the profession so we can fulfill this commitment. So, as you read this column, grab a cup of coffee and recharge! You earned this moment!

Tenet 1: What We Do and How We Do It

ICMA was founded with a commitment to preserving the value and integrity of representative local government and local democracy with a dedication to the promotion of effective, efficient, and equitable public service management. To fulfill the spirit of this commitment, ICMA works to maintain and enhance public trust and confidence in local government, achieve equity and social justice, affirm human dignity, and improve quality of life for the individual and the community.

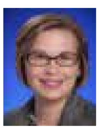
ICMA, the National Academy of Public Administration, and the American Society for Public Administration recognize that professional management stands on the pillars of effective, efficient, equitable, and democratic local government. These have been priorities since the profession was founded with these principles reflected in the Code's first version[1] and ICMA's Declaration of Ideals[2] as well.

ICMA defines a professional manager as a local government chief appointed officer who, at a minimum:

- Has direct responsibility for policy formulation on overall problems.
- Has major responsibility for the preparation and administration of a jurisdiction's operating and capital improvements budgets.
- Exercises significant influence in the appointment of key administrative personnel.
- Has an ongoing, direct relationship with the operating department heads on the implementation and administration of the programs.
- Was hired as a result of her or his educational and administrative background and qualifications.
- Is a member of ICMA and therefore must adhere to the ICMA Code of Ethics, which was adopted by ICMA in 1924 and governs each member's professional and personal conduct.[3]

Jerry Newfarmer managed major cities for many years and then went on to executive recruiting. He wrote about research on this topic from Kimberly Nelson and Whitney Afonso at University of North Carolina–Chapel Hill's School of Government. Drs. Nelson and Afonso published the results of their study in *Public Administration Review*[4] with the finding, "The council-manager form of government is … 57 percent less likely than the mayor-council form to have an instance of corruption."[5] Newfarmer wrote, "The partnership between the ethically bound professional

Tenet 1. We believe professional management is essential to effective, efficient, equitable, and democratic local government.



JESSICA COWLES is ethics director at ICMA (jcowles@icma.org).

manager and elected officials is an effective check on corruption."

There might be rumblings on the council or in the community about the council-manager form. Governance can be rife with misconceptions, so ICMA created a short video as an explanation: icma.org/articles/article/icma-releases-new-council-manager-video. ICMA's director of advocacy for the form of government is Jason Grant (jgrant@icma.org), who is a resource in assisting members and communities.

Belief in the Value of Local Government Services

City, county, and town managers choose this profession because at our core we want to make a difference. That is achieved through the organization providing exceptional public services to all stakeholders. Parks and recreation programs, street repaving, book titles in the library, permitting and code enforcement, and employee payroll—just to name a few—are how we make this mark of excellence.

This also means that managers are sometimes sought out for this expertise. Tenet 2's guideline on Advice to Officials of Other Local Governments states, "When members advise and respond to inquiries from elected or appointed officials of other local governments, they should inform the administrators of those communities in order to uphold local government professionalism."

Tenet 2. Affirm the dignity and worth of local government services and maintain a deep sense of social responsibility as a trusted public servant.

Professional courtesy extends beyond interactions with elected officials and the public. If a member of a colleague's governing body contacts you for advice on how your organization approached an issue, or you respond to a direct question, a member is expected to notify his or her colleague of this contact as outlined in Tenet 2 and its guideline. Frankly speaking, you would want the same professional courtesy extended to you if the reverse situation occurred.

Take Care of You

We spend our days anticipating the needs of the organization, elected officials, employees, and residents. I'm reminded of the adage from airplane safety about securing your oxygen mask before you assist others. Who's looking after you?

Take the paid time off you've earned, focus on your health, learn to cook, be a tourist, read, or do nothing. Find ways to recharge in the midst of chaos. This profession has peaks and valleys, so give yourself permission to enjoy when there's a lull in the action—although that might not be in April! PM

ENDNOTES AND RESOURCES

[1] https://icma.org/documents/city-managers-code-ethics-1924

[2] https://icma.org/declaration-ideals

[3] https://icma.org/articles/article/professional-management-drives-local-government-efficiency-and-effectiveness

[4] https://onlinelibrary.wiley.com/doi/full/10.1111/puar.13050

[5] https://icma.org/blog-posts/study-confirms-council-manager-governments-are-more-ethical

What Municipal CAOs Need to Know, Part 6: Buying Cloud-based Services

Considerations for making the right decision | BY MARC PFEIFFER

Software-as-a-service (SaaS) and variations on the idea that anything can be provided as a service, or X-as-a-Service (XaaS), have become standard practice in the technology sector.

XaaS includes an extensive list of items beyond software that can be delivered as ongoing services. It now includes platforms (a collection of integrated services), infrastructure (computing devices and networking), security (managing firewalls, filtering services, incident evaluation), and more.

The XaaS approach can provide users with sophisticated technology services at a lower cost than implementing and maintaining them on their own. While the practice has been part of government tech activities for years, it is now becoming the norm.

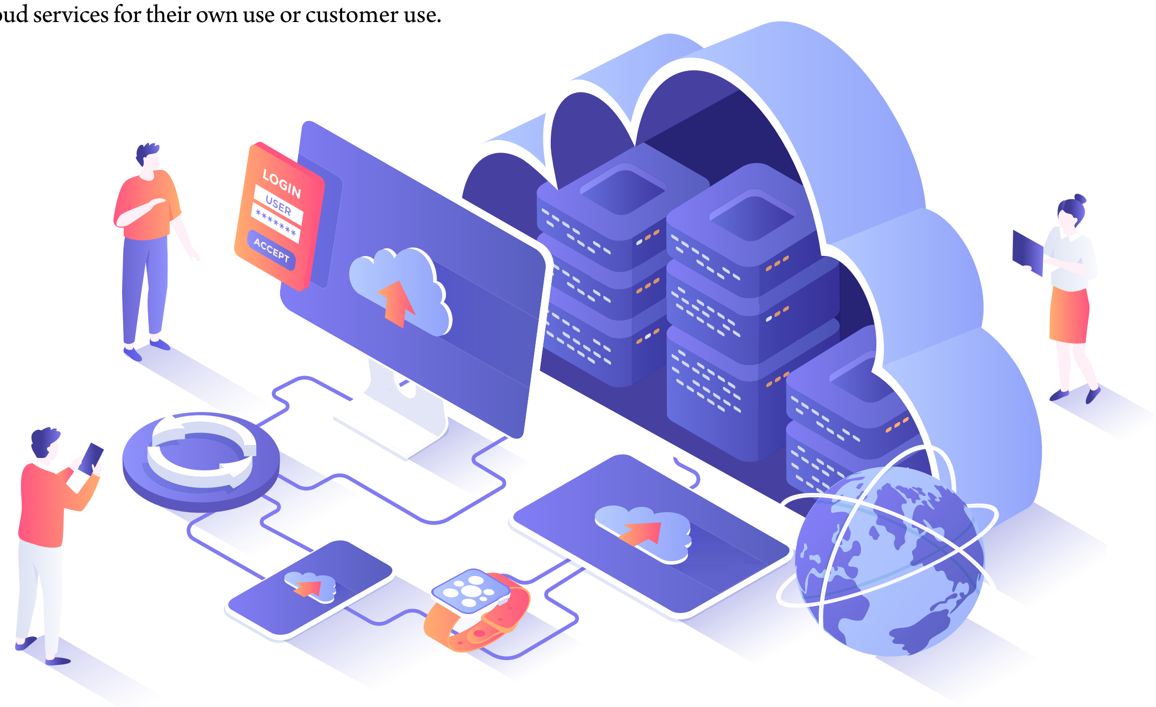
Many XaaS vendors use public cloud computing services as the platform for providing their services. Those platforms include Amazon Web Services (AWS), Google Workspace, Microsoft Azure, Rackspace, and similar services from smaller companies. The public cloud is found in the many data warehouses/centers that have sprung up across the country. These facilities contain hundreds (or thousands) of computer servers that the users or owners use to provide cloud services for their own use or customer use.

A variation on the private cloud theme is a *hybrid cloud* model. In a hybrid cloud, some service providers' computing resources reside in a public cloud, while others are hosted in the provider's end user organization's own servers and operated in their own or a cloud data center or as a private cloud. This is common when the end user's data security is critical.

Another way of looking at cloud computing is that end users subscribe to software services from a provider. The provider's software is maintained and runs servers that are off-premises that another organization owns or maintains. Today, because of the move to cloud computing, most software is not owned by the end user; it is "rented" or provided via subscription.

This is an evolution from the traditional model of computing, known as client-server, where the organization purchased, managed, and maintained its own computing devices, application software, and managed the network infrastructure and security. It also purchased software licenses, managed end-user

MARC PFEIFFER, an ICMA Life Member, is a marginally retired New Jersey town administrator and state agency manager. He is currently a senior policy fellow and assistant director at Bloustein Local, a unit of the Center for Urban Policy Research at Rutgers University. (marc.pfeiffer@rutgers.edu)



software, and often provided end user support. The best example of this is when most municipalities owned their own servers to run Microsoft Outlook (i.e., email, calendars) and Office (Word, Excel, etc.).

SaaS and cloud computing eliminates many of the technology issues that organizations would otherwise manage. For example, application data backup and software patching are usually part of a cloud service. The cloud model effectively "outsources" software responsibility to the provider, while leaving the management of user computers (i.e., endpoints) to the owner. That allows a reduced workload on staff.

Cloudy Concerns

When today's technology managers think about software costs, it is not usually about owning software that lasts for several years. Today's budgets need to factor in the number of licenses, service level agreements, and in some cases, deal with multiple cloud agreements for each third-party application they use. That leaves them to focus on managing their agency's networks (wired and wireless), network security, hardware and system software maintenance, device replacement/upgrades, and implementing new technologies (e.g., video cameras, internet-of-things devices/sensors).

When deciding to migrate to any XaaS, tech mangers have additional concerns to consider:

Loss of Control: Under SaaS, the service provider is responsible for all aspects; the agency must rely on what the vendor provides. This means contracting decisions need to include how much control the organization wants or needs and if these considerations are consistent with the vendor's services and pricing.

Limited Customization: The flexibility available in many municipal software service packages is making this less of an issue than in the past. As with any purchase, it is important to understand what your organization needs and find a vendor whose products and services match your service needs and budgets.

Slower Speed: Historically, SaaS solutions ran slower than client/server apps. This is much less of an issue today, as most agencies have robust networks and internet services speeds that reduce delays. SaaS providers also place their servers in regional data warehouses to better serve their client's needs. Reliance on cloud services (and other reasons) may also lead to the need for redundant or multiple internet service providers and internet access points.

Access to Data: Cloud computing raises questions about data:

- How the agency extracts data from the system when it is needed.
- How the is data stored (encrypted or not).
- How it is backed up.
- How it is secured from hacking.
- How it is retained by the agency if they no longer need the company's service or if the business fails.
- Is their data managed in a way that complies with agency record retention requirements.

Prudent analysis will include evaluating how historical records are maintained and accessed, if they can be downloaded in useful formats, and understanding the costs of these services. Checking out a vendor's claims with existing (or former clients) is a mandatory exercise.

Vendor Lock-in: This and the potential for cost increases are unavoidable risks, regardless of whether technology is purchased outright (but do not forget maintenance/support contracts) or renting it as part of a service. The answer lies with understanding the risks and making informed choices.

The XaaS approach can provide users with sophisticated technology services at a lower cost than implementing and maintaining them on their own.

Contracting for XaaS: In addition to general management skills, today's technology administrators need more than understanding technology. They need to understand cloud computing contract provisions, service options, estimates of use, bandwidth requirements, and cost structures, along with the needs of their end users.

Being at the Table: As highlighted throughout this series, the agency tech expert needs to be part of all agency end-user XaaS decision making. If they are not involved, the agency could wind up contracting for a service that the agency network can't facilitate and incur unexpected costs.

Local officials need to recognize the flexibility that XaaS and SaaS offer, as well as the additional considerations they entail, to ensure that they are prepared to make sound decisions going forward.

But what about the elephant in the room—cybersecurity? Next month we'll look at how cloud-based applications manage security risks. PM

An earlier version of this article appeared in New Jersey Municipalities, *the magazine of the New Jersey State League of Municipalities.*

Tax Increment Financing

BY JOE GROMACKI AND DR. JOHN KOVARI

An important economic development **tool** for local government

Tax increment financing (TIF) is the most innovative economic development tool used by local governments today. While it is frequently used, it is also extraordinarily complex, which brings with it some degree of misunderstanding and controversy.

Generally speaking, TIF is a tool utilized by local governments, usually in partnership with a private developer, to help make struggling real estate projects a reality. In its most simple form, TIF uses future taxes *from* those projects to provide financial support *for* those projects, whether that includes supplemental development assistance (such as grants or loans) or building new infrastructure.

The benefits of TIF can often be significant, especially in raising idle property values on blighted sites. While TIF tends to fly under the radar in terms of public awareness, many major recent developments across the United States now utilize tax increment financing. This includes Hudson Yards in New York City, Lincoln Yards in Chicago, Foxconn in Southeast Wisconsin, The Beltline in Atlanta, Harbor Point in Baltimore, and Amazon HQ2 in Arlington, just to name a few.

Despite the potential benefits, the reality is that an economic development tool as complex as TIF requires an abundance of technical planning and fiscal expertise to be used successfully. If the proper knowledge and resources are not available, TIF can be implemented inefficiently or even abused. Critics of TIF claim that, at its worst, it has the potential to distort real estate markets; sap essential revenue from overlapping tax jurisdictions, such as schools; and provide well-connected developers with unnecessary financial assistance. Further, if TIF is used too much within a given community, it can deprive the local government of much-needed revenue that could otherwise be used to augment government services or provide property tax relief for residents.

To clear up some of the misunderstandings surrounding this economic development tool and to help educate local decision makers on both its potential promises and pitfalls, ICMA is publishing a new book about how local governments can better use TIF: *Tax Increment Financing: A Practical Guide to Analyze TIF Risks, Rewards, and Outcomes.*

The book is designed to guide readers through the complex TIF process, laying out practical ways to evaluate TIF proposals and scale them to avoid overuse. Acting as a step-by-step manual with real world case studies and best practices, the book can help local governments assess to what degree TIF might be the right tool for them.

Overall, the book intends to help fine-tune local governments' use of TIF and empower local decision makers with the tools needed to evaluate and structure TIF deals in a way that allows for precision and risk mitigation. This includes guiding readers through processes such as TIF feasibility analysis, cost verification analysis, capital attraction analysis, and cash flow analysis. Here are three key takeaways for local government decision makers:

1. Do not assume that a developer's TIF request needs to be fully funded. Do the math, negotiate, and save taxpayer resources when possible.

Just because a developer has asked for TIF assistance does not mean that they will walk if offered any less or that the project is not feasible without their request being fully funded. Developers should provide financial details about their proposed project(s) so that you and your staff can crunch the numbers and determine what is necessary (more information about this is included in the next bullet point) and offer only what is truly needed to make the project a reality. More often than not, when local governments engage directly with developers and inquire more about their proposals, developments can be

JOE GROMACKI is TIF coordinator for Madison, Wisconsin, USA.

DR. JOHN KOVARI is associate professor, Department of Political Science and Public Administration, University of Wisconsin–La Crosse, USA.

elevated to achieve more win-win scenarios while keeping TIF at reasonable levels.

2. Use common real estate metrics to help you scale TIF.

Real estate developers and their banks gauge whether to pursue a given project based on verifiable information and statistics. While local governments can—and should—also use this information in their TIF evaluation process, many shockingly do not. This data includes sources and uses statements, cash flow projections, cap rates, debt coverage ratios, loan-to-value ratios, and the all-important internal rate of return (IRR).

Many communities limit projects' IRRs to somewhere in the range of 10–12%, and it cannot be emphasized enough how important a metric IRR is in determining the level of TIF support that a local government should consider. Taking these metrics into consideration and scaling them to the industry norms for each specific community is the best way to ensure that TIF is utilized wisely at the local government level. ICMA's forthcoming TIF publication will discuss how local governments can use each of these metrics in greater detail, with step-by-step instructions for TIF analysis to mitigate risks and over-use.

3. Create a formal TIF policy to help steer your local government's decisions with transparency and objectivity.

Even though TIF is one of the most widely used economic development tools in local government today, many local governments still do not have a formally adopted TIF policy or standardized TIF application process. Developing a TIF policy using the previously outlined metrics helps to make a local government's TIF decisions more transparent for both residents and developers alike. Further, it can promote objective conversations about how TIF can be implemented most effectively within a given community. *Tax Increment Financing: A Practical Guide to Analyze TIF Risks, Rewards, and Outcomes* provides several examples of formal TIF policies, best practices, and applications. For those looking to begin their research now, Madison, Wisconsin's TIF guidelines are a strong place to start.[1]

Both these and additional topics are explored in greater detail in *Tax Increment Financing: A Practical Guide to Analyze TIF Risks, Rewards, and Outcomes.* Learn more at bookstore.icma.org. PM

ENDNOTE

[1] https://www.cityofmadison.com/dpced/economicdevelopment/tax-incremental-financing/415/

A Better Budgeting Process *Is On Its Way*

The ICMA and GFOA Rethinking **Budgeting** initiative nears conclusion

The budget is, arguably, the most important policy document a government produces. If this is the case, then the budget has a big influence on a community's ability to thrive. Local governments are being asked to deal with issues of increasing complexity in an environment of declining trust in institutions. This means that traditional approaches to budgeting may no longer have the same value they once did. Further, today we have access to new technologies, to new research on how people make decisions, and a better appreciation of the importance of fairness in budgeting. These are opportunities to take new approaches to budgeting.

All of the forces above inspired ICMA and the Government Finance Officers Association (GFOA) to launch the Rethinking Budgeting initiative a few years ago. Let's review the major elements of Rethinking Budgeting.

1. Rethinking Budgeting posits that the primary reason a local government budget exists is to pool the community's resources to purchase goods and services.

Pooled resources, like a local government budget, are often bedeviled by a "collective action problem." Put simply, a collective action problem occurs when individuals, because of immediate self-interests, fail to achieve an outcome that would make everyone better off. To illustrate, a pooled resource often produces a zero-sum competition, where one person's gains come from another person's losses. Zero-sum competition characterizes much of how the traditional budget process takes place. This can been seen, for example, where one department is pitted against another in competition for resources or one neighborhood against another. Rethinking Budgeting shows how to solve these collective action problems.

2. Rethinking Budgeting suggests that the budget officer is responsible for architecting a budget process that creates the best chance of producing savvy and wise decisions.

But decision-making is messy. It is done by humans, so it comes with the myriad well-documented cognitive biases and inconsistencies (i.e., "noise") in human thought. Budget officers can help government officials reduce the negative impact of bias and noise in decision-making processes. Helping people avoid bias and noise is called "decision architecture." Rethinking Budgeting casts the budget office in the role of "decision architect" and outlines the core skill sets that budget officers should bring to budgeting in order to create a budget process that helps decision makers perform at their best and that builds trust in the process.

3. A budget process is the series of steps and actions that lead to a decision on how to allocate resources.

One of the essential organizing ideas of Rethinking Budgeting is to help local government budgeteers "be chefs, not cooks." This means that budgeteers understand:

- The underlying challenges of budgeting.
- The principles for addressing those challenges.
- Ideas for how the principles can be applied under different circumstances.

This means Rethinking Budgeting will not provide hard-and-fast rules for how budgeting should be conducted. The process we present is not a "brand name" budget process that provides detailed instructions for every step to the final budget. Rather, we describe principles that can be used to design a budget process that is a fit to local needs and addresses the fundamental reasons of why we budget. We supplement this with links to detailed examples and stories about how to put the principles into action.

4. Rethinking Budgeting is in competition with a local government's current method of budgeting.

That means that there must be a compelling reason to change the budget process. We provide "A Guide for Changemakers" that has resources for those looking to make a change in the budget process. This guide includes the following:

- Many governments follow a traditional budget because it offers certain strengths. The guide shows how Rethinking Budgeting can offer comparable advantages.
- One primary strategy for changing a system is to identify sources of dissatisfaction with the status quo. The guide shows how Rethinking Budgeting can address common pain points associated with budgeting.
- The guide includes an interactive needs assessment tool to help you identify the best opportunities for change.
- The guide addresses politics, power, and how the budget officer cannot just survive but thrive in this environment.

Join us on this journey to improve budgeting for the benefit of the communities we serve.

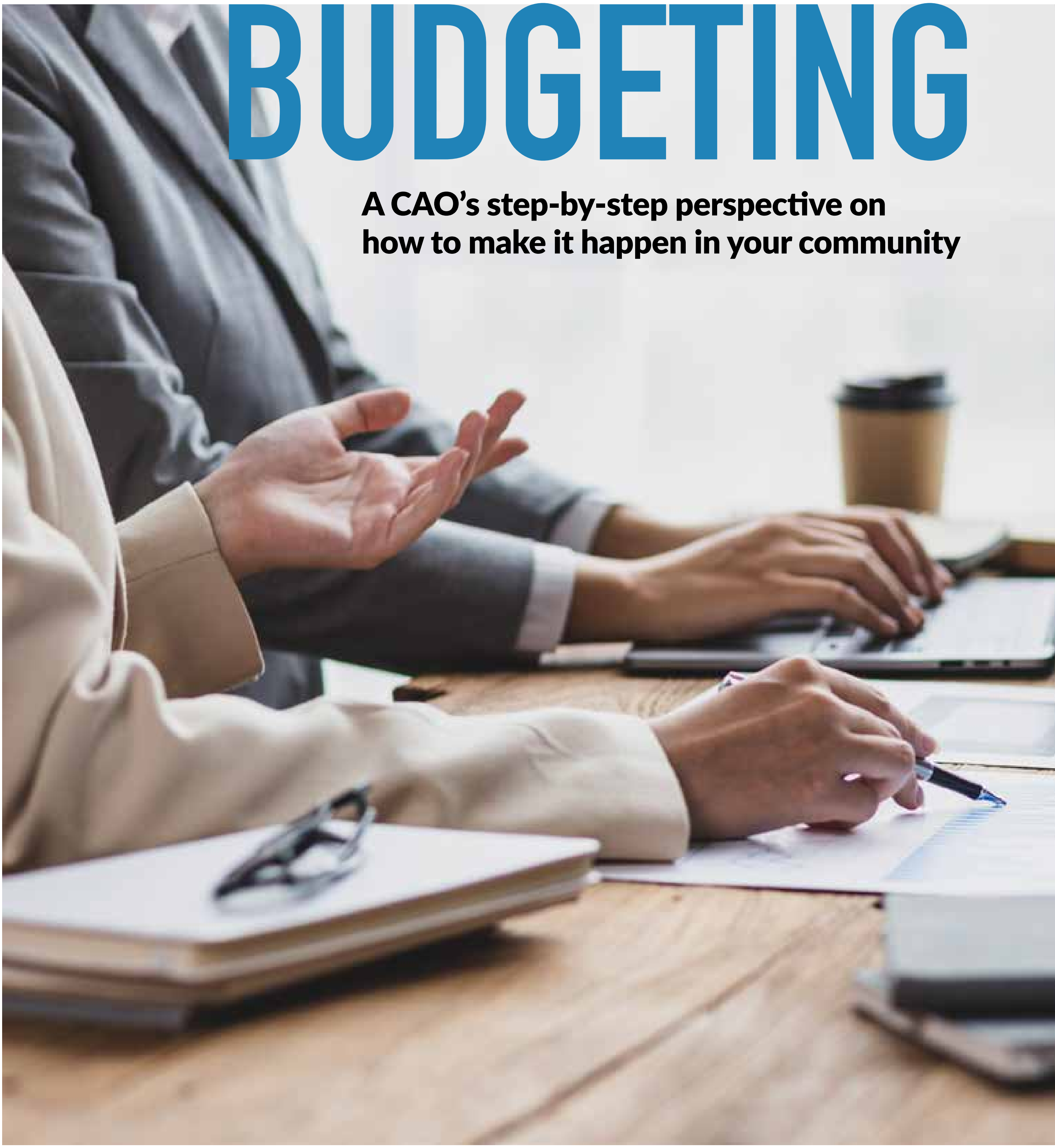
Stay Tuned

At the time of this writing, the Rethinking Budgeting documents will be concluding a public review and comment period. We'll then publish a refined set of documents. (We do not say "final" because Rethinking Budgeting will continue to seek out new information and change our guidance as new things are learned.) Stay tuned to ICMA and GFOA for information on how to access the refined documents after the public review is concluded.

We hope you will join us on this journey to improve budgeting for the benefit of the communities we serve. PM

Outcome-based BUDGETING

BY RACHEL BEMBRY, CPA & MANDI CODY, JD, AICP, ICMA-CM



A CAO's step-by-step perspective on how to make it happen in your community

Having grown in population almost 40% since 2010, Winder, Georgia, USA, is a full-service city of almost 20,000 people and 50,000 utility customers located on the edge of the Atlanta metropolitan area. On June 20, 2020, the Winder city council, comprised mostly of recently elected members, conducted its first meeting with its newly appointed city administrator. At this meeting, the previously prepared 498-page budget for the 2021 fiscal year was adopted. This council expected a higher level of service to be provided to its residents and customers and considered the formula of a new chief administrative officer (CAO) and a new budget year to be the recipe for success. Eight months later, the new CAO and the council were both frustrated. Despite these new beginnings, service quality remained stagnant, and neither council nor its constituents considered their goals or expectations as being met.

As CAOs and members of ICMA, we are called upon to serve our communities drawing from the 14 core competencies considered essential to local government leadership and management. Core competency 12, financial management and budgeting, requires us to “implement long-term financial analysis and planning that integrates strategic planning and reflects a community’s values and priorities; [and to] prepare and administer the budget.” One of the leadership dimensions that contributes to this core content area is “understanding the community and governing body’s priorities and advancing them through the budget and short- and long-term financial planning and management.” This is accompanied by management dimensions that call CAOs and their staff to:

- Implement short- and long-term financial analysis and planning.
- Prepare accurate and understandable capital and operating budgets.
- Provide information for effective budget and financial planning decisions by elected officials.
- Engage in strategic planning to direct the development of goals and the budget document.
- Engage employees across the organization in strategic planning, budget development, and ongoing budget management.
- Measure performance and assess the results of spending.

For fiscal years 2022 through 2024, Winder’s staff leadership has engaged these core competencies and dimensions to lead the mayor and city council in developing and implementing a series of performance-based (or outcome-based) budgets to deliver the vision of the governing body, better serve the city’s residents and customers, and bridge the gap between expectations and resources, all while setting up our staff for operational success in the field. This article is intended to provide a roadmap from the perspective of the city administrator to demonstrate to CAOs and finance directors that performance-based budgeting is achievable in your community and that this method of budgeting delivers real results.

(Mis)aligning Vision with Budgeting

The root of the frustration that Winder was experiencing in 2020, was, as it is for many communities, the misalignment of vision and budgeting. Despite a relatively new council, a new CAO, and a new fiscal year, the spending and revenue plan represented in the budget was *not* a new beginning. Rather, it was a long and complicated document of line item-based revenues and expenditures, which were segregated and seemingly unrelated to one another, based on previous decisions and historical patterns, which was failing to deliver expectations. The 498-page document was in a form considered incomprehensible to most of the elected officials, the staff charged with its implementation, and the community it was meant to serve.

The solution was a bold initiative led by the CAO, beginning in February 2021, with support from the CFO and operational department leaders, to engage the governing body in a series of discussions intended to clearly articulate the policy and service expectations of the council, residents, and customers of Winder. We would then align those expectations with revenues and expenditures in the next fiscal year’s budget through performance-based budgeting.

Introducing Outcome-based Budgeting

Even communities without written strategic plans and adopted financial policies (which included Winder at that time) have unwritten understandings of the type and quality of services and financial tools that are considered the most expected and the least desirable. For example, the public works team must maintain city facilities immaculately; and we don’t raise property taxes here.

Outcome-based budgeting, also known as performance-based budgeting, is the process of aligning available resources (revenues) with available funding (expenditures) and expected outcomes (type and quality of services to be delivered by the local government) in agreement with the policies, value systems, and agreeable price points of the residents served as articulated by the governing body.

Although this seems daunting, performance-based budgeting actually simplifies budget discussions by clearly defining outcomes and resources. We found that the secret to success is a step-by-step approach that the CAO and CFO can take with elected officials, staff, and residents for incredible results.

Step 1: Articulate Desired Outcomes

CAO works with elected officials to articulate outcome expectations that align with strategic goals and financial policies.

What builds frustration in traditional line-item budgeting processes is what eliminates frustration in performance-based budgeting: the act of defining clear outcome

FIGURE 1

Answer the question: **What does "four-star" mean? How do we measure it?**

Desired Outcome that is meaningful and measurable:

Stars	Frequency	Services	Location
★★★★	Weekly	Moving, edging, weed trimming, trimming shrubs and trees, blowing and removal of debris and signage.	Cemetery (21.5 acres) Downtown & Parks (20 acres) Facilities-East & West (29 acres)

expectations that are meaningful and measurable. Winder found clarity in a series of discussions held by the governing body—led by the CAO and carefully observed by the CFO—to identify, articulate, and define meaningful and measurable outcome and service delivery expectations beginning in February 2021 and continuing throughout each of the subsequent two fiscal years.

An early service expectation identified by council was "improving public works." Through a series of discussions, the CAO and public works department leader worked with council to translate "improve public works" from a vague directive into a strategic goal: "enhancing paving and public works programming, including downtown landscaping, parks, right-of-way maintenance, road paving, pothole patching, and a full sign replacement program."

Further discussions enumerated that strategic goal into outcomes that are clear, articulatable, meaningful, and measurable. For Winder, that included developing a four-star system of grounds keeping and right-of-way maintenance that defines the frequency and details of service (see Figure 1), and then assigning a star level of service to each of Winder's public spaces, facilities, and rights of way.

Step 2: Determine the Cost

CAO works with operational and finance staff to determine the cost to meet the desired outcome.

Once the governing body has defined the desired outcomes for the service area clearly enough for the staff to articulate in detail, step two is to calculate the cost of delivering the defined outcome.

If four-star maintenance is desired for all city rights of way, staff should identify and estimate the cost of each element of delivering this directive. Questions must be asked and answered by the operational staff. For example:

- How many miles of rights of way are within the city?
- What equipment is needed to perform the four-star maintenance regimen of mowing, edging, trimming, blowing, and removing debris and signage?
- How many staff members are required to perform this regimen for each mile on a weekly basis?
- What training, safety gear, uniforms, tools, and fleet will be required?

While the operational staff delivers and calculates the operational data and cost, the finance team provides the fully burdened personnel cost, such as wages and benefits, and other allocated costs, such as insurances and dues. Added together these figures calculate the cost of delivering the desired outcome articulated by the governing body.

Step 3: Identify Resources

CAO works with CFO to identify available funding resources and calculate equivalents.

In step three, the CAO and the CFO identify available funding resources appropriate for allocating to each of the governing body's desired outcomes. Appropriate resources may be defined by state laws restricting usage of certain revenue streams, prior restrictions placed on revenues or funds, and the written and unwritten financial policies and goals of the community. These can include property and other taxes, fines, fees, investment incomes, debt financing, and other special revenues. For example, Winder's council aimed to keep property taxes low, to keep only generally available

FIGURE 2

Subject Matter Expert / Technical Staff:

How many employees are needed to provide the level of services desired on a weekly basis?
What equipment and/or vehicles will staff need?
Will they need uniforms or protective gear?

Finance Staff:

Fully burdened personnel costs?
Cost of equipment and/or vehicles?
Additional insurance or workers comp needs?

FIGURE 3

User Fees?

Objective: Shift cost burden from property taxpayer to service recipient.

Include:

- Operations and maintenance.
- Capital improvements.
- Depreciation.
- Reserves.

Calculate program millage equivalents:

Program	Funding Request	Millage Equivalent
Streetlights	$367,000	0.7
DDA	$1,000,000	1.85
Public Works Director	$120,000	0.23
Paving and Potholes	$1,000,000	1.85
Groundskeeping	$515,000	0.95
Event Professional	$100,000	0.19

services (such as public works, police, and fire) subject to tax support, and to move services for individual recipients to a cost recovery fee-based system.

Once available and appropriate revenues have been identified, the next step is to equate the cost (step 2) of delivering that outcome to an equivalent metric for that revenue. For fee-related services, this may equate to a cost per service or a millage rate for a property tax supported service.

For Winder, public works is a generally available service supported by property taxes. The council identified the desired outcome as four-star treatment to the city's Rose Hill cemetery, downtown area, parks, and city-owned facilities on the east and west sides (a combined 60.5 acres). Public works and finance staff calculated the fully burdened cost equated to .95 mills in property tax collections.

In Step 3, outcome-based budgeting asks and answers the question, "what are taxpayers buying with their tax dollars?" and allows policymakers to make fully informed decisions on outcomes and priorities.

Step 4: Funding the Gaps

CAO and CFO identify alternatives to meet funding gaps.

It is to be expected that the cost of meeting desired outcomes will exceed the revenues available. Therefore, it is the professional responsibility of the CAO and CFO to prepare alternative considerations for the governing body.

For the CFO, where and how can revenues be increased? For example, are there opportunities to move services from general tax support to a fee-based system? If so, what are these services and how much would a cost recovery fee system generate to support desired outcomes in those areas? How much tax revenue would such a move make available for generally available services? Are there fees already in place that can be adjusted to meet funding gaps? Can certain tax rates be adjusted? Are some funds restricted that can or should be relieved of this restriction? Is debt an option worthy of consideration?

FIGURE 4

Stars	Frequency	Services	Location	Millage Equivalent
★★★★	Weekly	Moving, edging, weed trimming, trimming shrubs and trees, blowing and removal of debris and signage.	Cemetery (21.5 acres) Downtown & Parks (20 acres) Facilities-East & West (29 acres)	0.95
★★★	Bi-weekly	Moving, edging, weed trimming, blowing and removal of debris and signage.	Parks (20 acres) Facilities-East & West (29 acres)	0.38
★★	Monthly	Moving, weed trimming, blowing and removal of debris and signage.	Parks (20 acres) Facilities-East & West (29 acres)	0.19
★	Varied (as needed)	Removal of debris and signage.	Parks (20 acres) Facilities-East & West (29 acres)	0.10

For the CAO, are there service delivery alternatives that can be considered by the council that are within existing funding constraints? Can phased approaches to desired outcomes be implemented? Are there service areas that should be considered for addition or elimination from the local government's service delivery given the strategic goals and funding constraints of the community?

Step 5: Convene the Elected Officials

CAO and CFO present the fully burdened cost projections, available resources, funding gaps, and alternatives to elected officials in a comparative format.

Step one requires the CAO and CFO to carefully dialogue with and listen to the elected officials in order for the staff to then conduct steps two through four. Step five brings the team back together, this time with staff demonstrating to the governing body that the vision has been fully understood and contemplated for budgeting and implementation. However, once staff has presented the findings of steps two through four, step five is for the elected officials to grapple with the distance between its desired outcomes and the community's financial ability and/or willingness to deliver them. This is the work of the policy makers, engaging in meaningful and consensus-building discussion to determine priorities and manage wants. It will be critical at this stage for council to discuss and compromise both among themselves as to expectations, wants, political tolerances, and constraints, as well as to decide between competing priorities across the organization (e.g., fire is as important as police; we want events, but must have sanitation). By definition, outcome-based budgeting doesn't allow for across the board increases or decreases, but moves local government services to quantifiable results, outcomes, and impacts.

Finance and operational staff should aid council in their discussions, but not advocate for positions, outcomes, or funding. Rather, the CAO's and CFO's role here is to equip elected officials in their discussions, ensuring premises for decisions are based in accuracy and are operationally achievable. CAOs should assist council in this step by identifying common threads of agreement in discussions, and along with the CFO, continuously quantifying discussion points in order to assist the governing body in reaching an agreed-upon list of measurable, meaningful outcomes paired with available and identified resources that will culminate in an approved budget document.

Step 6: Adoption and Implementation

Accountable for Delivering Outcomes

Once the CAO and CFO have delivered a budget document reflective of the decisions made by the elected officials in step five, and the governing body has approved that document, the CAO and CFO must now train, equip, and lead the operational staff in achieving the desired outcomes articulated within and funded by the performance-based budget.

Financially and operationally, both successes and failures are easy to identify in the execution of performance-based budgeting, therefore accountability is a notable consequence of aligning revenues and expenditures to performance outcomes. Throughout the budget year, the CAO and CFO must continually monitor the operational and financial actuals against what was projected and recalibrate when performance, cost projections, or revenues miss the mark.

Is It Worth It?

Preparing the first performance-based budget for a community is a complex and time-consuming task, but not an insurmountable one. Communities don't have to start with an organization-wide approach. You could try tackling one strategy or area of operation at a time in retreat-like gatherings, rather than budget meetings, where staff and elected decision makers have the time and focused attention to thoroughly discuss and dialogue both frustrations and expectations.

Be prepared for challenges in defining expectations, so use commonly accepted criteria where you can to define the details in performance outcomes. (For example, an award your community wants to receive, or a certification status a department wishes to gain.) Prepare your staff by helping them gain technical knowledge of cost measures and the management and leadership skills necessary to gauge what their staff teams can reasonably deliver. Be forthcoming about realistic expectations with elected officials. In each conversation and presentation with residents, staff, and elected officials, be connecting the dots between performance, expenditure equivalents, revenue constraints, and the trade-offs required by each.

Winder is in its third year of performance-based budgeting with great results. City councilmembers comprehend the budget document, support what the revenues and expenditures represent within it, and can intelligently converse with each other and the community about expectations, costs, priorities, and trade-offs. Staff understand what results they are accountable for delivering and feel set up for success. Residents and customers are receiving improved services at price points that staff and council can explain and demonstrate.

Furthermore, Winder's fiscal health has never been stronger as performance-based budgeting has also allowed the city to engage in longer-term financial planning and to build reserves. New expectations require new approaches. For Winder, that was the move from traditional line item-based budgeting to performance-based budgeting with meaningful and measurable outcomes. PM

RACHEL BEMBRY, CPA, is chief financial officer of Winder, Georgia, USA, as well as vice president of government services for JAT Consulting Services.

MANDI CODY, JD, ICMA-CM, AICP, is the former city administrator of Winder, Georgia, USA. She is currently principal of Momentum Results, LLC.

Financial Solutions for Every Resident

Los Angeles County's approach to banking barriers, predatory lending, and financial literacy

BY BENJAMIN M. EFFINGER AND CHRISTIAN OLMOS

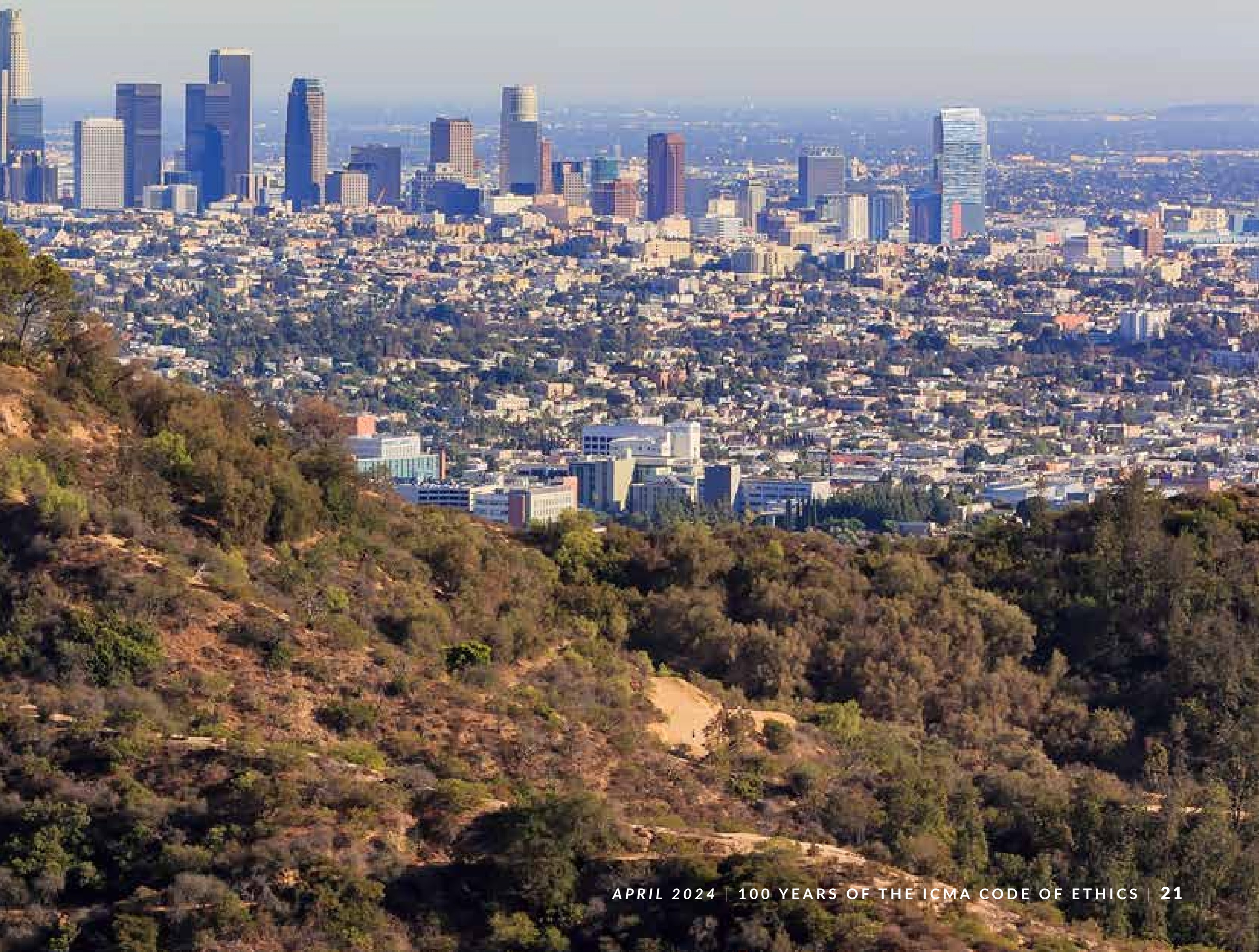
Los Angeles County is the nation's most populous county, according to the 2022 United States Census, ringing in at 9,721,138 persons. This is nearly double the runner-up—Cook County, Illinois—which has approximately 5.1 million residents in comparison. Based on population, if Los Angeles County were its own state, it would be the 11th largest state in the United States, just behind Michigan, which has a little more than 10 million residents statewide.

So how does the world's largest municipal government organization ensure equitable banking access and education to all the residents of the most populous county in the nation? By working smarter and partnering with other public sector, nonprofit, and private sector banks and financial institutions to create or leverage programs that benefit this population, especially the unbanked and underbanked populations of the county.

As stewards of financial empowerment, we must break down barriers that continue to impact the financial well-being of residents.

What Does the County Do and Who Does It?

Because of the size, scope, and diversity of the population within the borders of the county of Los Angeles, the county needs to work creatively and collaboratively to be able to reach the most constituents with the resources available. This is where partnerships become the key force multiplier for county agencies, not only with partners outside of the county agency, but also with partner departments within the LA County governmental structure. Two of these critical agencies are the LA County Department of Consumer and Business Affairs (DCBA) and the LA County Treasurer and Tax Collector (TTC). You might say to yourself, DCBA makes sense, they work directly with the constituents, but what does TTC have to do with financial empowerment and literacy within the county?



Let’s break this down. The mission of DCBA is to promote a fair and vibrant marketplace, serving consumers, businesses, and communities through education, advocacy, and complaint resolution. In line with this mission, the Center for Financial Empowerment (CFE), a division of DCBA, convenes, advocates, and builds capacity to strengthen the financial health of county residents, with a focus on those who are Black, Indigenous, and People of Color (BIPOC), to build economic resiliency. Therefore, DCBA is the voice and platform for constituents of the county who need assistance and direction in accessing resources and leveraging opportunities to improve their social position. Especially with the county’s focus upon anti-racism, diversity, and inclusion (ARDI) efforts, DCBA has been a critical county agency to reach the marginalized communities and advocate for their access to resources and community development, including those that are most vulnerable to financial disparities.

Quite different from DCBA, the mission of the TTC is to bill, collect, invest, borrow, safeguard, and disburse monies and properties. The TTC does this on behalf of the county, other government agencies and entities, and private individuals as specified by law. The department also provides enforcement, consulting, estate administration, and public information services. One specific function of the TTC is its treasury management services, where it is responsible for the nation’s largest municipal treasury pool. This Treasury Management Operation is divided into three unique areas of responsibility: banking operations/cash management, public finance, and internal controls (audit and accounting for public funds). These three areas of responsibility work together to safeguard public funds, ensure all credits and debits to the county are accounted for, forecast the county’s cash position, and invest any excess funds on a daily basis in accordance with the approved county investment policy.[1]

So how does TTC tie back into the financial empowerment and literacy conversation? The Cash Management Division oversees the county banking contracts with partner banking institutions, and can leverage these partnerships for programming and problem solving when addressing the challenges that unbanked and underbanked constituents may face on a daily basis. In addition, most county banking partners invest with community development financial institutions (CDFIs) within the county, which creates opportunities for county constituents to access capital and resources typically not available to them under their current circumstances. This is where it gets really interesting.

While socioeconomic disparities, limited access to banking services, and disparities in educational opportunities all contribute to financial exclusion, there are tangible ways where the government can make a difference and can benefit from.


The Center for Financial Empowerment team

Center for Financial Empowerment Programs

Expanding on the importance of financial empowerment, it’s crucial to highlight its ripple effects within communities. Whether through our financial counseling and workshops, or through strategic partnerships with local organizations, the DCBA’s CFE is committed to ensuring that individuals have access to safe, affordable financial products and services, tools to encourage savings and investments, consumer protection to safeguard those assets, and opportunities for intergenerational wealth transfer.

BankOn LA County

The high costs incurred by unbanked and underbanked households at alternative financial services and other check-cashing establishments go beyond mere financial strain. These costs can perpetuate cycles of poverty, hindering long-term financial well-being and threatening housing, food security, and ability to pay for healthcare. Addressing this issue is critical considering the disproportionate impact on marginalized communities. By spearheading initiatives like LA County’s BankOn, the

BankOn training

CFE is actively combating this disparity, ensuring equitable access to safe and affordable financial services for all residents. A BankOn-certified institution is a nationally managed certification that distinguishes institutions committed to making financial services affordable and accessible. The CFE tirelessly works to connect unbanked and underbanked households to these financial products.

Financial Coaching

The CFE's Financial Coaching Partnership builds the capacity of financial empowerment CBOs and establishes a network of certified financial coaches. These coaches in turn provide financial coaching and debt avoidance services to county residents, specifically those that are unbanked and underbanked.

Volunteer Income Tax Assistance

The CFE's Volunteer Income Tax Assistance (VITA) program, which low-income county residents can use to obtain free tax preparation services, injects much-needed funds back into the pockets of our lowest-income earners, many of which are unbanked or underbanked. During the last 2022 tax season, the VITA program helped obtain almost $6.9 million in federal and state tax refunds. We found that the average annual household income of our VITA clients was $23,000, while the average return was about $2,000 (10% of their annual income). This can make a world of difference, alleviating immediate financial burdens. VITA is a perfect touchpoint that can connect clients to safe, affordable bank products.

No matter what size jurisdiction you operate within, financial education and financial empowerment impacts your residents.

Empower-u Fund

Launched in 2023, the Empower-u Fund provides critical financial assistance in the form of a $2,500 grant, as well as support services to eligible domestic violence survivors. This program was meticulously designed with the unique challenges faced by the vulnerable population in mind:

- It features a minimal barrier application process.
- It leverages domestic violence survivor CBOs as trusted messengers for intake and wraparound support services.

- It ensures safe communication to prevent inadvertently placing the survivor at risk of harm by the abuser.
- The disbursement of funds come in the form of a digital or physical prepaid card.

Currently, the Empower-u program is active and has disbursed over 1,000 grants to domestic violence survivors, aiding them in securing housing, food, utilities, and other necessities. Not only did this program offer crucial financial aid, but it also played a role in stabilizing grant recipients.

Community Development Financial Institutions, Banking Partnerships, and Innovative Funds Distribution

The county of Los Angeles partners with several of the largest financial institutions in the United States because of the demands for liquidity and collateralization of large amounts of cash daily. The relationships also expand to allow the county to share its vision and mission for financial literacy and empowerment for its constituents with these partner banking institutions. There are several ways that the county collaborates with its banking partners to deliver services and invest in communities, especially historically marginalized or under-represented populations. Here are some examples:

Community Development Financial Institutions

Community development financial institutions (CDFIs) serve the needs of low- and middle-income individuals in both urban and rural communities, with a specific focus on those who have been underserved or ignored by traditional banks and lending institutions. CDFIs are set up to create financial self-sufficiency within these underserved communities in order to trigger overall economic growth and community redevelopment. All the banking partners that the county works with contribute to CDFIs in LA County and ensure the reinvestment in these communities of need.

Prepaid Cards for Foster Youths

One area of note that the county identified were unbanked foster youths. These youths were issued checks each month, often with no place to cash them because of their unbanked status, driving them to payday loan and check-cashing centers (who often imposing predatory rates for the transaction in excess of 20% of the check cashed). The county partnered with financial institutions to solve this problem through the issuance of reloadable prepaid cards to the youths that they can swipe or load to their digital wallets for ease of use and safeguarding of their funds. This program has been hugely successful within this target population and the county is seeking to expand this business model to other target populations.

Bank Accounts for Minors (ages 14+)

In most jurisdictions, this population experiences difficulty opening bank accounts

without co-signers. Minors receiving county services are no different. There are existing laws that allow minors to open bank accounts with certain court documentation, but not all youths receiving services have this documentation. The county is actively working with banking partners to determine what alternatives can be enacted to afford this priority population receiving services from the county to become banked individuals through alternative certifications besides court-stipulated documents. We are optimistic that the county and its partners will find a solution to meet the needs of these youths, and allow them to exercise their financial independence, while gaining financial literacy along the way.

2023 Financial Empowerment Summit

What the Future Holds for Los Angeles County

As stewards of financial empowerment, we must break down barriers that continue to impact the financial well-being of residents through strategic partnerships, targeted outreach efforts, and innovative solutions that promote financial inclusion and equity. As such, the county is exploring additional alternatives and opportunities for partnerships to both expand upon current programming and establish new opportunities for residents. The following are three current initiatives:

Expanding the use of prepaid cards, in lieu of the issuance of paper checks, to individuals that qualify for county services and funds distribution. This may include constituents experiencing homelessness, domestic violence survivors, constituents under conservatorship (public guardian), or individuals that face additional challenges that limit their banking options and are considered underbanked or unbanked.

Increasing financial education awareness, through partnerships targeting predatory lending practices, such as payday loans. The county is currently exploring a partnership with a Los Angeles–based minority-owned bank that offers a banking product and partners in financial education directly related to predatory lending. The Center for Financial Empowerment is excited about this potential partnership and how it could add to their resident offerings in their financial empowerment portfolio.

Banking access for People Experiencing Homelessness (PEH). The county is currently developing a plan to increase banking access for PEH, which will include partnership opportunities with banks and CBOs, an outreach campaign specifically tailored for PEH, and assessing the feasibility of removing fees when cashing checks.

Conclusion

Achieving widespread financial empowerment requires a multifaceted approach that acknowledges and addresses systemic barriers. While socioeconomic disparities, limited access to banking services, and disparities in educational opportunities all contribute to financial exclusion, there are tangible ways where the government can make a difference and can benefit from. No matter what size jurisdiction you operate within, financial education and financial empowerment impacts your residents. The county of Los Angeles has found ways to partner with the banking community to fill gaps and provide services to its unbanked and underbanked population. These partnerships expand upon program offerings that the local government can offer independently and often have access to much greater resources than within tight government budgets. By exploring these partnerships and expanding financial empowerment programs and resources to your communities, you can foster economic growth, reduce poverty, promote social stability, and enhance financial inclusion, all of which benefit both your residents and government alike.

Consider exploring these banking partnerships within your jurisdiction to provide a wealth of financial education and financial empowerment resources to your communities! PM

ENDNOTE

[1] https://ttc.lacounty.gov/wp-content/uploads/2023/04/2023-Investment-Policy.pdf

BENJAMIN M. EFFINGER is operations chief of the cash management division of the Los Angeles County Treasurer and Tax Collector. He serves on the communications team of the ICMA Veterans Advisory Committee and is president of the University of La Verne's College of Law and Public Service Student Public Administration Association, where he is currently pursuing his doctorate in public administration.

CHRISTIAN OLMOS serves as the deputy director of the Consumer and Community Services Bureau within the County of Los Angeles Department of Consumer and Business Affairs. In this role, he leads the development of public policy and legislative advocacy priorities of DCBA. His bureau also provides essential services to LA County residents, including financial empowerment, consumer counseling, and foreclosure prevention.

Breaking the Law of Triviality

How to architect a budget process that focuses on the truly important things

BY SHAYNE KAVANAGH AND DR. MARIA CHURCH

Many budget officers have had an experience like the following during budget deliberations with the governing board: The governing board spends what seems like (or may be) hours discussing the line item for office supplies ("Can we reduce it by sending more emails and using printers less?") and then afterward passes a multimillion-dollar capital project budget with little discussion.

This phenomenon is not limited to local government budgets. It is so common across time and disciplines that it has a name: Parkinson's Law of Triviality. The originator, Cyril Parkinson, said that the "time spent on any item of the agenda will be in inverse proportion to the sum involved." Parkinson illustrated with an example of a committee responsible for approving the plans of a nuclear power plant. The committee spends little time on weighty issues like the design of the nuclear reactor and more time on issues like the design for a bike shed that will be on the property ("How big will it be?" "What materials will it be made of?"). Parkinson's Law is also known as "bike-shedding."

> **Eliminating the confusion on the front end and helping elected officials increase their fiscal fluency gives everyone involved a chance to save face and make a smart, well-informed decision with true understanding.**

Bike-shedding wastes the precious resource of time, leaving less time to discuss what really matters. The result is lower quality decision-making.

Budget officers have a responsibility to design the budget process to increase the chances of producing savvy and wise decisions. The design must, therefore, find a way to break Parkinson's Law of Triviality.

The first step is to understand why the phenomenon of bike-shedding occurs. Solutions can then be designed accordingly. There are several reasons:

It is easier to grasp simpler topics than more complex ones. Decision-makers do not want to appear uniformed, so they gravitate toward topics that are easier to understand.

Decision-makers want to make an impact. This is related to our point above. Decision-makers feel they must make a substantive contribution during budget deliberations, even if it is on a minor point.

Some topics might be more engaging. Topics that are small in dollar amount might have other features that make people eager to talk about them. For example, perhaps the issue is novel or inherently interesting; or it has emotional appeal beyond its dollar value.

Discussing small topics could be a way to avoid the hard issues. Perhaps the bigger dollar items are challenging, contentious, or uncomfortable. Discussing trivialities could be a way to put off the hard conversations.

Let's move on to the solutions, starting with the most basic, which can help with any source of bike-shedding: agenda and meeting design. We begin with two design principles to help counteract the Law of Triviality:[1]

- **Put important items at or near the front of the agenda.** This way, the group can tackle the items when energy is high and before the meeting time runs out. It is OK and even advisable to have short "warmup" agenda items to get a meeting going, but don't leave too much opportunity to veer into the trivial before getting to the important stuff.
- **Timebox discussion items.** Allocate specific amounts of time to discuss different items. When time runs out, it is time to move on. Allocate less time to the less important items and more time to those high-value/high-dollar items.

We may also need to consider advanced meeting design strategies. For example, some decision-makers may not adhere to time limits on discussion in the typical meeting format. Recently, a council that one of the authors, Dr. Maria Church, worked with had a tough time getting through their council meetings efficiently and effectively (minimum four-hour meetings). Dr. Church and her team pulled the council together into a retreat to decide how to be more effective with the meetings. Dr. Church had the decision-makers agree on time limits as well as the rules of engagement. Your decision-makers may agree to rules that limit discussion on items below a certain dollar amount. Ideally, this can be done when the board members are onboarded or at their annual retreat. Include a discussion on the Law of Triviality (your decision-makers may not be conscious of this phenomenon). A reminder of these rules of engagement should be included with each council packet. Review meeting effectiveness regularly.

Advanced meeting designs might be important if bike-shedding arises from a desire to avoid challenging or contentious issues. Consider preparation—which is a critical but often underappreciated aspect of meeting design. If elected officials feel ill-equipped to discuss controversial issues, might they prefer to discuss trivial issues instead? So for big-dollar and more complex budget items, a work session or two with staff/budget officers could be held. Materials that are shared before the work session and board/council meeting should have a one-page summary that states the crucial key facts about this big-dollar item, breaking down the complexities. It is said in the world of sales, "A confused mind never buys."

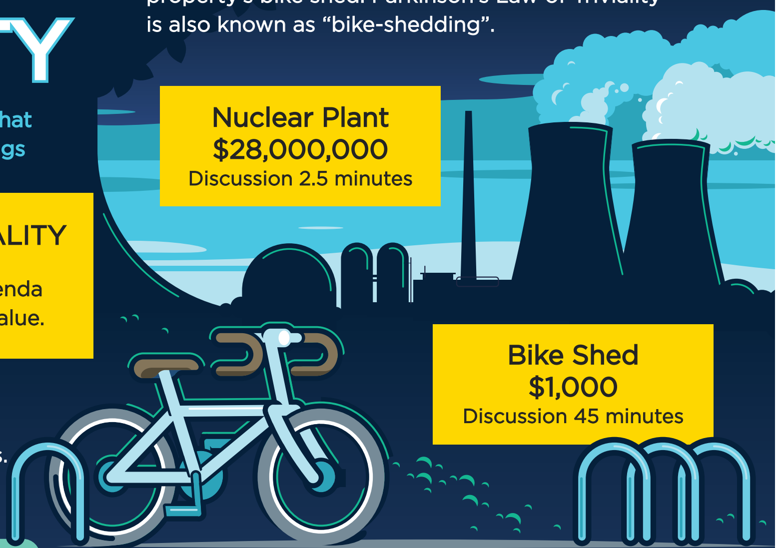
Translated to bike-shedding, "A confused mind never buys into understanding." Eliminating the confusion on the front end and helping elected officials increase their fiscal fluency[2] gives everyone involved, especially the decision-makers, a chance to save face and make a smart, well-informed decision with true understanding.

As we saw, though, some agenda items might have special appeal beyond their dollar value. Since these items do not have a big impact on the budget, perhaps put them in a meeting "parking lot" for later discussion, or delegate them to a subcommittee, or hold a special meeting for that topic. The idea is to provide the time and space to talk about these issues at some point, while preserving focus in the here and now on the most consequential decisions for the budget.

BREAKING THE LAW OF TRIVIALITY

How to Architect a Budget Process that Focuses on the Truly Important Things

Cyril Parkinson first illustrated the Law of Triviality with a committee responsible for approving the plans for a nuclear power plant. The committee spends little time on weighty issues like the design of the reactor and more time on the design for the property's bike shed. Parkinson's Law of Triviality is also known as "bike-shedding".



PARKINSON'S LAW OF TRIVIALITY

The time spent on any item of the agenda is inverse of its importance or dollar value.

Parkinson's Law is not limited to local government budgets. Many people have been frustrated across time and disciplines.

However, we can break this law!

Agenda & Meeting Design

- Place important items near the front of the agenda. The group can tackle important items when energy is high and before time runs out.
- Timebox discussion items. Allocate specific time to discuss different items. When time runs out, it is time to move on. Allocate less time to less important items and more time to high-value items.
- Staff can provide a menu of high-quality options for elected officials to choose from. This provides a basis for discussing important items.
- Agree to rules that limit discussion on items below a certain dollar amount. It may be possible to put less important items in a meeting "parking lot" for later discussion, delegate them to a subcommittee, or hold another meeting for those topics.
- Consider preparation. Anyone who is feeling ill-equipped to discuss controversial issues might prefer to discuss other issues instead. Materials that are distributed before the meetings should have a one-page summary that states the crucial and important facts, breaking down the complexities.
- Large numbers are abstract concepts. It may be difficult to appreciate the scale differences between the trivial and consequential. Help people appreciate the difference in scale by translating large amounts to scale people can appreciate.

For more on this topic:
https://www.gfoa.org/materials/fiscalfluency

Source: GFOA. Used with permission.

Be clear about each budget item's relationship to the strategic priorities. If an item is not aligned with the priorities, indicate so. When the priorities are well-defined (and reminded), it is easier to distinguish between the important and minor matters.

On the topic of strategic priorities, a desire to make an impact might be a source of bike-shedding.

Make it easier for elected officials to make an impact on the substantive issues. For example, staff can provide a menu of high-quality options for elected officials, where choosing any of the options will have a meaningful impact on the issue at hand. Imagine a budget deficit needs to be closed. Staff could provide three to five packages of revenue enhancements/expenditure cuts for elected officials to pick from.

Finally, the finance officer should consider how people understand numbers. For most people, large numbers, like those found in a budget, are abstract concepts. So they may not appreciate the scale differences between the trivial and consequential.

The finance officer can help by translating these dollars into some other quantity people can easily appreciate. For example, at one city with a $250-million operating budget, the council would spend an excessive amount of their (and staff's) time each year debating a $10,000 contribution to a local nonprofit. In cases like this, the finance officer has cause to redirect the conversation to something more important. This would be a good opportunity to translate money to time: "The amount we are discussing is equivalent to two months of a single patrol officer's time. In the meantime, we have another issue on the agenda that is equivalent to the time of six patrol officers…for an entire year each."

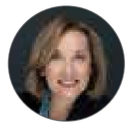
We don't know what we don't know. Making decision-makers aware of the Law of Triviality and the agreed-upon strategies to avoid it can help to curb this phenomenon with your board. PM

ENDNOTES AND RESOURCES

[1] Weinberg, G. & McCann, L. (2019). *Super thinking: The big book of mental models.* Penguin Random House, LLC.

[2] Kavanagh, S.C. (2023). "Rethinking budgeting: Fiscal fluency made easy." Government Finance Officers Association. https://www.gfoa.org/materials/fiscalfluency

SHAYNE C. KAVANAGH is the senior manager of research for Government Finance Officers Association (GFOA).



DR. MARIA CHURCH is the CEO of Government Leadership Solutions, a certified minority-owned, woman-owned consulting firm dedicated to helping local governments develop ready-now leaders and create organizational cultures.

MODERNIZE YOUR FORMS

Improve efficiency and public perception of your organization by abandoning paper and online pdf forms in favor of digital.

BY DAN RALLEY AND TRACY OWENS

What would you do if you were able to free up 30 minutes every week by simplifying the work processes used by your team? Improving forms may not have the political weight of a new roadway project, or the popular support of a park improvement, but they are the number-one thing you can do to immediately increase the efficiency of your organization and, in turn, upgrade public perception of your organization.

Behind every paper form in your office lurks a clunky, manual process that is begging to be digitized so it can become more efficient and lead to a better customer experience. Your customers yearn for a more modern approach to interacting with the local government, and your staff will appreciate a reduction in the menial work they have to do.

Paper forms may be hidden in plain sight in all corners of your organization. Forms used by your police department for vacation house watches; human resource forms for onboarding new employees; or reservation forms for parks, shelters, and meeting rooms all are examples that may be found behind customer counters in your organization.

These paper forms may be familiar and comfortable to your employees, but they should almost always be a red flag indication that a process needs to be improved and brought into the modern age. Spending a little time digitizing these paper forms now will certainly lead to process improvements in your office. This modernization will, in turn, improve internal efficiency and customer satisfaction.

We extend our sympathies to you if you still have any of those vintage triplicate forms around your office. The 1980s called and they want their forms back! One of our employees recently filed a permit with the state of Ohio for a swimming pool that is being constructed in our new recreation center, and in return he received a hand-written carbon copy receipt. This triplicate receipt is an administrative canary in the coal mine that is telling us there are process improvements needed in that office.

Before everyone else breathes a sigh of relief and says this isn't a problem in your organization because you have all of your forms on your website, let us point out that online pdfs are only slightly better than the paper forms you used to keep behind your customer counter. In most cases, online pdfs have only made the forms more accessible to your customers. They have not addressed the underlying issues of inefficiency and rework that are intrinsic within paper and pdf forms.

Online pdf forms, even if they are fillable, typically require someone in your organization to retype and re-enter data from those forms into another system or workflow. Even worse, we often find that these online forms are immediately printed by your staff—whether they come into your office digitally or not—so the form can be reviewed and manually routed for approval around your organization. The repetitive entry of data and the errors that can result from retyping should be a sign that your organization needs to become more efficient by using better digital tools.

We extend our sympathies if you still have any of those vintage triplicate forms around your office. The 1980s called and they want their forms back.

What Lean Management Reveals About the Real Waste of Outdated Forms

Lean management is the suite of tools and techniques that enable an organization to deliver value to the customer at the highest possible quality, in the shortest possible time, and for the lowest possible cost, while respecting those who do the work. A hallmark of lean management is to reduce waste, including the time and materials necessary to produce the desired outcomes for the customer. The outdated forms in your office reveal many of the common forms of waste that lean categorizes:

Defects: Paper and pdf forms typically do not have sophisticated built-in mechanisms to ensure that customers fill out fields correctly and completely. Modern digital form tools feature conditional fields that appear only when the customer selects certain characteristics, helping to ensure that customers only see the fields that they absolutely have to fill out. Further, the fields in an online form can be built to accept information only in an expected format, like a 10-digit phone number or a specific user ID. Selecting dates from a dropdown calendar will prevent errors in date entries. Simplicity helps eliminate errors and improves customer satisfaction.

Over-production and Inventory: I once glanced over the front desk of a police department that had at least 30 different paper forms hanging in individual baskets on the wall. All of these paper forms were copied in advance, virtually ensuring that outdated forms would have to be thrown away when updates were made to information or fields on the form. Even worse, old and outdated versions of paper forms continue to be found in desk drawers and filing cabinets around the office, almost ensuring future defects and errors in the completion of these forms when they are pulled out and used.

Waiting and Unnecessary Motion: Printed forms typically are manually routed around your office waiting for the review and approval by all the necessary personnel who need to see the application. In contrast, fully digital forms allow parallel or concurrent review among different staff and departments, and they move seamlessly around your organization with no additional effort.

Extra Processing: Often paper and online pdf forms are only customer-facing front-end tools. The manual re-entry of these paper and online forms into back-end software or offline spreadsheets used for tracking means that staff is re-entering customer information, which invites opportunities for transposition errors to occur.

Underutilizing Human Talents: This is another waste within lean that is not always fully measurable. For example, assigning basic or menial work to an advanced employee who is manually processing or re-entering customer data. Digitizing forms will free up time and capacity in your organization, empowering employees to contribute at a higher level. For most team members this can be invigorating, but for some others it can leave them in a "who moved my cheese" moment. Notably, every time that we have fully digitized the work of a building department, it freed up at least 50% of a full-time employee's schedule for other tasks.

> **In our organization, roof and tent permits are processed instantly. We still inspect the final work (often with a digitally submitted photo), but the customer has permission to proceed as soon as they press submit and make a payment.**

Careful Review of Form Fields Will Shorten Your Forms and Make Your Customers Happy

You should always spend time carefully reviewing the questions and information that are requested on a form. Ask why each field is necessary and who is reviewing the information. One good acid test question: If a field is filled out incorrectly, will it be rejected? If not, it may be a field that can be removed.

The lack of clarity in a form affects customers and staff. It is possible that the department reviewing the form may not even know why certain fields are included. And if the cross-functional team that needs to review and approve a form does not know what each other is looking for, we may suffer from the twin problems of gaps and overlaps. Some elements are checked multiple times, while other requirements are not gathered successfully on the first try.

You should also be on the lookout for non-value adding approvals. If something is approved 100% of the time without any questions, then that approval step is likely no longer needed at that threshold, or it is an authority that can be delegated to others in the organization.

Fully digital forms introduce the ability for different people to concurrently review applications rather than each person or office approving a form in series, one after the other. Concurrent review of forms can dramatically reduce the time the customer waits for approval. The technology that enables digital form collection and review is widely available, and the cost for these services is becoming more manageable.

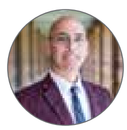
You may also find that some of the forms are able to become "instant permits." Using published rules, accepting online fee payment, and building controls into the digital forms, it is possible to have forms that enable automatic completion and approval with no additional administrative review needed. This "instant permit" can be a customer winner. In our organization, roof and tent permits are examples of applications that are processed instantly. We still inspect the final work (often with a digitally submitted photo), but the customer has permission to proceed as soon as they press submit on their computer and make a payment.

Next Steps

1. Choose a couple of forms in your office and map the process for review and approval of all of the requested information on the forms. Often, simply gathering all the staff members who review or touch a form will spawn ideas for improvement.
2. Think about the submission of these forms from the customer perspective. Are the form fields and questions clear and concise enough that they consistently result in accurate information being submitted by customers? If not, consider simplifying the language that is being used to request information.
3. If your organization hasn't yet fully digitized the applications and approval process for building or other frequently used forms, it is time to evaluate tools that will allow you to accept and process these applications digitally. When fully implemented, these systems can dramatically reduce the time necessary to review applications and in turn boost customer satisfaction.

Start today and make these changes to your important forms. The frequency of errors will decrease, your customers will appreciate the simpler process, and your team will save time. That free time is like a gift every week, bringing with it the opportunity to do more rewarding and value-adding work. The benefits of such a change can be enormous for your staff and your customers. PM

DAN RALLEY is assistant city manager of Hilliard, Ohio.

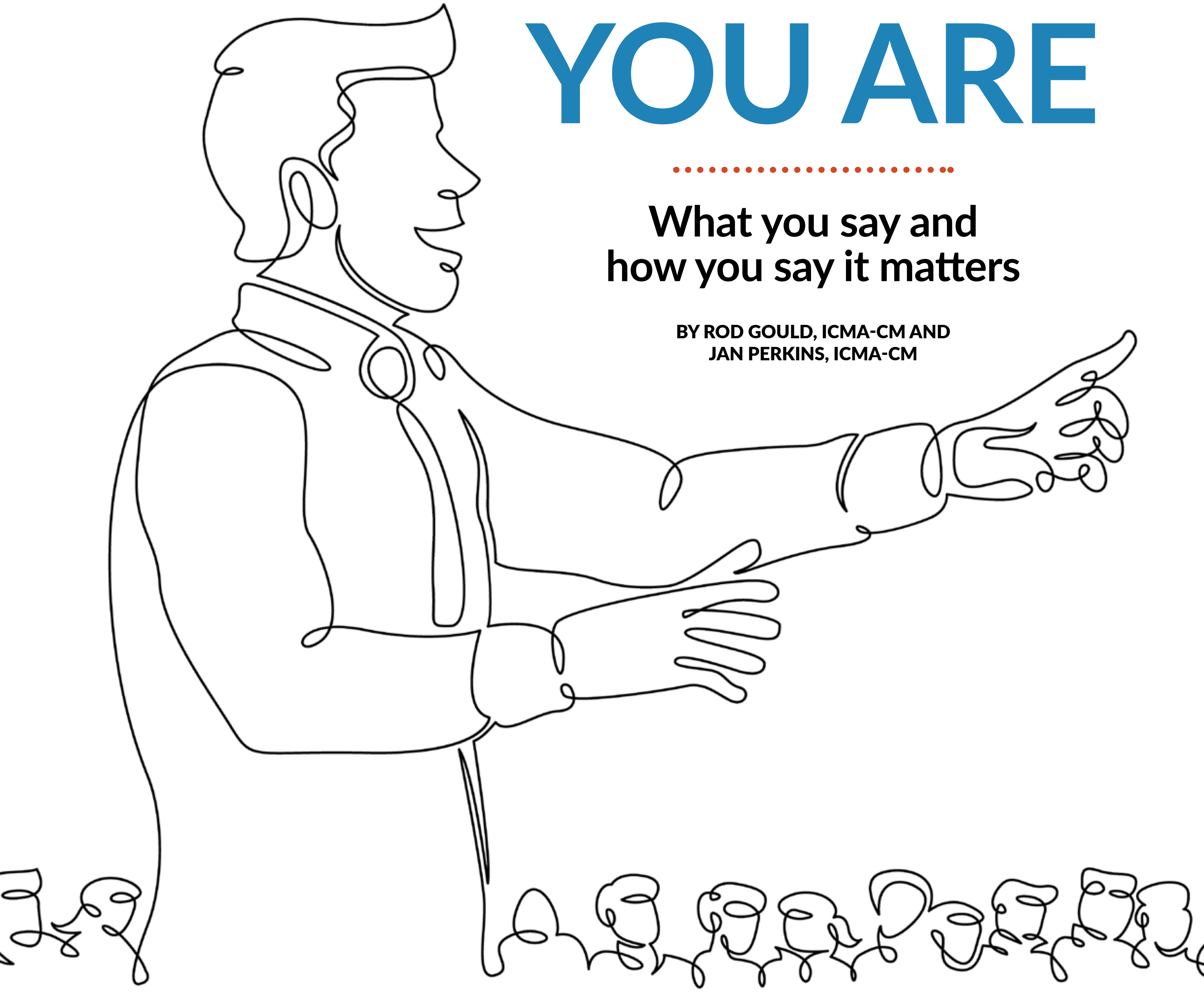


TRACY OWENS is an ASQ certified quality engineer who teaches at The Ohio State University's colleges of business and engineering.

A Few Tips for Communicating Like the LEADER YOU ARE

What you say and how you say it matters

BY ROD GOULD, ICMA-CM AND
JAN PERKINS, ICMA-CM



"It is not what you say, but how you say it" is only half true. What we say equally matters.

"Oh, I didn't mean *that*!" When our intended message isn't what is received, many things can go wrong. Staff can spend many wasted hours on a project when what you meant was a quick look-up of data. A community member can walk away with the impression that their issue is of no consequence.

The words we use as city and county managers and assistants matter. Actions mean more, but what we say and how we say it can ripple throughout our organization and even the community. So, being both mindful and intentional about our written and spoken words will serve us well.

A decade ago, ICMA chose *leadership* as one of its central pillars of ongoing training for members. Communicating clearly—with both an awareness of the words we use to express ourselves and how people receive our communications—is one of those leadership skills.

This article offers 10 tips plus a *bonus* one for communicating successfully as a leader. Communication is always evolving and any of us can improve, so reviewing these tips, and adding your own, will help as your career progresses.

1. Quality Over Quantity

Write and Speak Sparingly and Thoughtfully

This is particularly true in council or other governing body meetings. We've all heard the sentiment, "The city manager is acting like the eighth councilmember." Managers should not dominate the meetings or interject themselves when not needed. The public may mistake the manager as the decision-maker if he or she does most of the talking in meetings. When presenting staff reports, a manager can do well by having other staff be the lead with the manager as back-up as needed. For staff, it serves as a valuable learning experience in presenting issues and answering questions.

The same goes for internal staff meetings. The manager can suck all the air out of the room by doing most of the talking or rushing to direct action without hearing from staff. It also deprives the manager of opportunities to learn from staff or to hear more about the issues at hand. People you rely on may simply shut down and hope the meeting ends soon if the manager seems uninterested in group discussion. And worse, the group is deprived of the best thinking and ideas that may contribute to optimal decision-making. When the manager weighs in, it should be to clarify the issue or offer alternatives when discussion bogs down.

A manager can serve the team well by summarizing the points of agreement and disagreement before offering a landing place. This can be a "test" summary, but not one to close off other thoughts if the discussion is not really over. By doing this type of recapping, the manager demonstrates careful listening and evaluation of all points of view. It can be useful to take some notes as the conversation develops, which also demonstrates the manager's engagement.

2. Express Appreciation

Praise Liberally and Often—Without Taking Credit

When things go right, credit goes to the elected body first and staff second. Make sure you acknowledge both groups publicly and privately. Never mention your hand in the good outcome. Your job is to facilitate good public policy and civic progress. Don't seek accolades for yourself. If the community sees the council/board and staff as effective, then it will assume you are doing your job.

By modeling this type of public expression of appreciation and citing the teamwork that is involved between the council's policy role and the staff's implementation role, you reinforce local representative democracy and the essence of the council-manager form of government. Our elected officials get more than their share of criticism from the public, and the manager can offer well-timed praise that is fact-based and credits the council for good policy decision-making. Keep it real and don't overdo it!

Make the time to praise staff—in meetings, in reports, and with notes. One of our good colleagues, long-time city manager Frank Benest, ICMA-CM, spent time almost daily handwriting thank-you notes to individual staff members. Those notes were treasured and sometimes pinned up in cubicles or recalled at retirement functions. Such behavior builds *esprit de corps* and trust in management. It shows you care.

3. Say "We" or "I" When Things Go Wrong

Never Say "They"

There will be bad days. There will be accidents, failures, disappointments, unintended consequences, and even scandals. Such is the nature of complex, multifunction human service organizations known as cities and counties. The manager must ascertain the facts and step right up—even in the face of imperfect information—and take responsibility. It is never appropriate to publicly blame staff for an error or failure in service. When necessary, deal with performance improvements behind the scenes.

A leader shoulders responsibility and points the way forward. He or she says "we" or "I" failed to measure up or do our best in the situation at hand. The buck stops with us!

Admission of errors may not be popular these days but is essential for professional local management leadership and credibility. Many people in the public are understanding of errors—they make them, too—and particularly can relate when the manager takes responsibility for setbacks.

Then it is imperative to chart the course forward. Offering a full investigation does not cut it. You must state what concrete action steps will be taken to limit the damage, right any wrongs, and prevent the situation from repeating. The actions don't need to be comprehensive but need to be solid and reasonable. Time will inform additional remedial action steps.

What can be shared with the governing body, staff, and the public needs to be conveyed promptly. Sometimes, there are confidential elements that cannot be shared. But don't put your staff or councilmembers in the spot of being in the grocery store and being asked, "what happened and what are you doing about it?" without having a credible response.

4. Support Decisions Once Made

The Governing Body Sets the Policy

The best analysis and sound recommendation on an issue may not win the support of the governing body. That's the way the system works. It can be (and often is) quite frustrating to the staff who have worked so hard to research an issue, applying their professional expertise, only to find that their proposed solution is not one that the governing body supports. Regardless, the manager must publicly embrace the decision.

Our role is to provide the best possible professional advice, but we do not have the same perspective as the elected officials, and it is their judgment that prevails. If the manager is seen as upset with or opposed to the decision of the people's representatives, the council-manager form of government suffers, as does trust in the system.

5. Emergencies Happen

Be Honest but Confident in the Face of Crisis

As a manager, you will no doubt encounter a crisis. A huge budget deficit may be projected, a video of excessive force will go viral, a staff member may make off with thousands of public dollars. In these cases, the manager must speak and write clearly and promptly, setting forth the known facts, accepting overall responsibility, and again stating what will be done to address the crisis. It is also crucial that the manager express optimism that the crisis will be addressed and the government organization will move forward. This is delicate, as it cannot appear to diminish the severity of the issue or the harm done. Be thoughtful about how you tell the truth while still offering hope.

When enduring great adversity and stress, people only hear about 25% of the content you're communicating. Therefore, even when you think you've overcommunicated, you need to communicate some more.

Not only that, but you also need to communicate in a variety of styles that reflects the range of communication preferences of an audience: group discussions; one-on-one talks; written reports and memos; social media; presentations with photos, charts, graphs, and illustrations. Hit them all. Enlist the help of your public information officer or assistant. Reinforce your message through a range of communication styles and methods for the greatest impact.

6. A Fishbowl Is Not Much Fun

But It's Where We Live

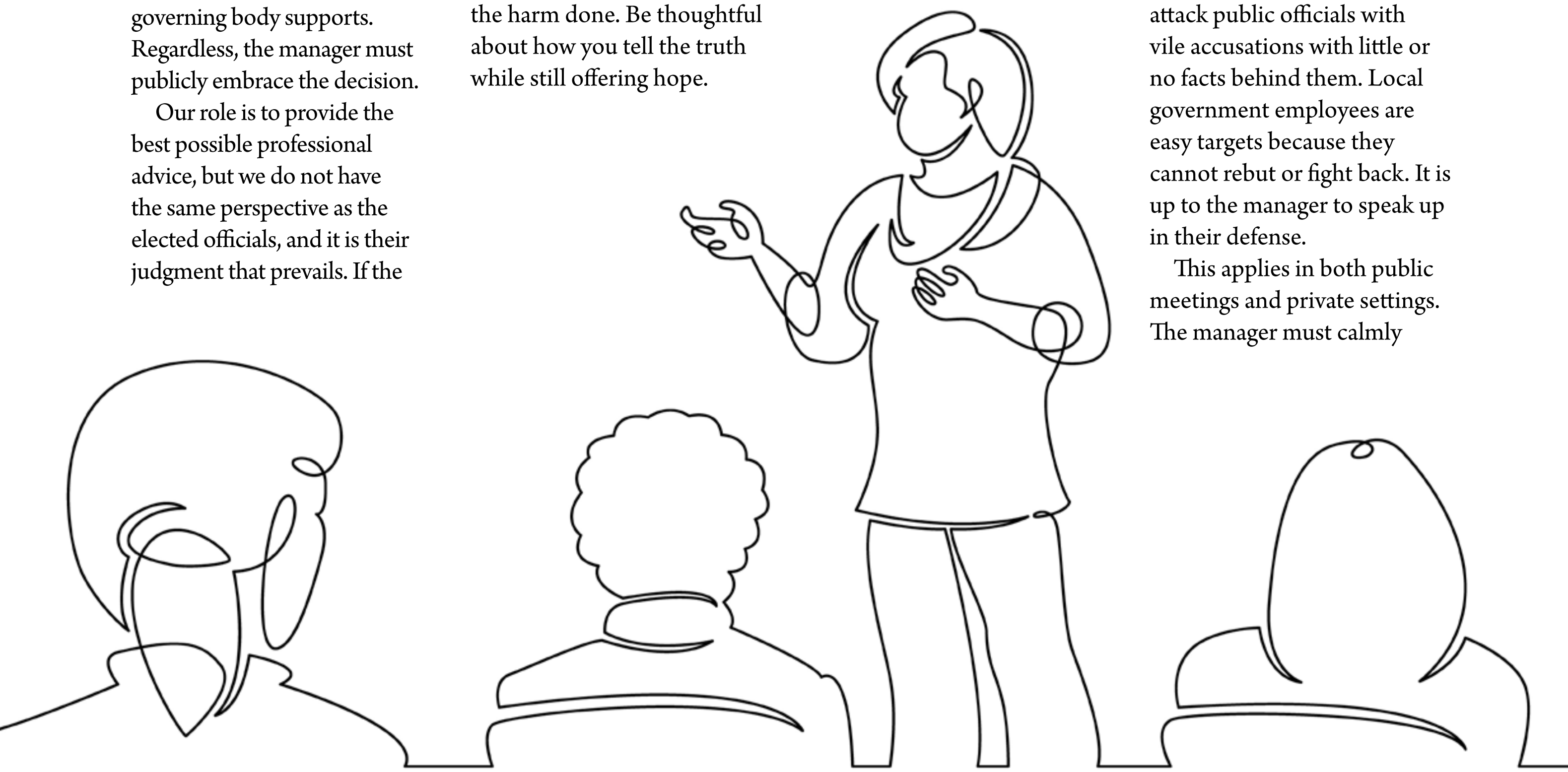
Remember that you are always on. People are listening and taking note of your words and behavior because of your leadership position in local government. It is easy to drop your guard when you are speaking quietly to a trusted coworker or community member, and you think you can let your hair down. This is doubly true of emails and text messages. Assume that nothing you say or write about your work will be kept confidential. Many fine managers have had their reputations and careers tarnished by loose talk or online musings. You should even be aware of your body language in this regard. People are watching. They need to see you as strong and confident when the chips are down.

7. Your Team Needs You

Stand Up for Staff

The standards for public discourse are now tattered. Guardrails appear to be gone. Community members and even outsiders will personally attack public officials with vile accusations with little or no facts behind them. Local government employees are easy targets because they cannot rebut or fight back. It is up to the manager to speak up in their defense.

This applies in both public meetings and private settings. The manager must calmly



refute baseless attacks and set the record straight, focusing on the merits of the issue itself. If your city or county has a code of conduct, it will surely prohibit personal attacks. Cite it and suggest that the speaker stick to the issue instead. This may make you the next target. So be it. Kevlar skin is required to do our jobs well. Better that the council, community, and staff see you standing up for your professional colleagues. And if you don't, you are likely to lose your best staff. They expect their leaders to have their backs.

8. Speak and Write to Convey Professionalism

Tune Up Your Skills

Not everyone is a great writer or speaker. But a manager does need to represent his or her county or city organization and should do so with clarity and proper grammar. Avoid the use of "colorful" language as it may well offend someone (assume it will). If you are not confident about the rules of good writing, there are plenty of resources you can use to refresh your skills. Or make sure your assistant is strong in this regard and gets a look at your writing before it goes out.

Few people are born public speakers. It takes practice and learning from mistakes. Polish your skills in giving short, but relevant introductory remarks. Spend time developing more lengthy talks on important subjects.

Once you have your major points well written, shrink them down to key words and phrases. Practice giving the talks without having to read them, relying only on a simple outline. Your audience will appreciate your diligence and listen more closely if you do. Don't sweat it if you forget to make a point along the way. The audience will never know what you intended but neglected to say. Relax and breathe. You can do it.

9. Practice Sensitivity and Awareness

Not Everyone Is Like You

Our organizations are increasingly diverse, by intention, as a reflection of the residents of our communities. Each of us comes from a unique background and we are well served in our professional role as a manager by learning about other cultures, languages, how people wish to be treated, what is offensive, and what constitutes inclusion and belonging.

As a leader, you have a duty to expand your own self-awareness. Where are your blind spots? We all have them. How can you minimize them? How can you become highly effective in working with a diverse staff and governing body and different cultures in the community? It will be a "work in progress" that will benefit you not only on the job but personally as you navigate life.

10. Be Authentic

Communicate from the Heart as well as the Head

What we say, how we say it, and when we say it can all be practiced and honed. To truly connect with people also takes communicating from the heart. It may be an employee you meet in the hallway and ask about their family. Or it could be a community member who is upset about a neighborhood issue. By showing your genuine interest through your eyes, tone, and words you will communicate that you care. And people want to follow leaders who care.

However, relationships must precede communication—people must be ready to consider your communication. They need a sense of your sincerity and commitment to the greater good. Relationships must also precede problem solving. So, before you jump in and communicate, ask yourself if the relationships are sufficiently formed to be heard. If not, develop them.

Also bear in mind that it isn't only what you want to communicate as the leader, it's what the followers want or need to hear at the time. So, pause to put yourself in the place of your audience to get clear on what is most important to be communicated in the moment.

Bonus Tip

Know if You Really Want Input

Consider this during your next conversation: Is your mind made up and you are you just telling someone something? Or is the communication about *listening and receiving* input that will influence a decision? There are times when one-way communication (telling) is necessary and appropriate, but it is generally the least effective communication in our profession.

Most of the time, our communications should be a dialogue. We well know that in local government it is hard to simply compel anyone to do anything. Dialogue requires a genuine interest in other views and a willingness to be flexible in one's position.

Be honest with yourself. If you are not really seeking dialogue, be clear on that point. Don't ask for input if you don't really want it. Your audience will sense it a mile away and you will be wasting not only time but goodwill. However, be open to hearing alternative viewpoints and information. Your teamwork and decision-making will improve with dialogue, and it sets the groundwork for stronger relationships, which are essential for leadership.

Conclusion

The ability to lead by effectively communicating is not about charisma. It takes work, self-awareness, and time to refine your communication skills. Whether a manager is more of a quiet person or more extroverted in nature, communication skills are essential. Listen, reflect, engage, and grow. Communicate as the leader that you are. PM

ROD GOULD, ICMA-CM is chairman of the board of HdL Companies, a former ICMA Executive Board member, retired city manager, consultant, and supporter of all those who toil in local government service. (rodgould17@gmail.com)

JAN PERKINS, ICMA-CM is vice president of Raftelis, a local government management consultant and facilitator, retired city manager, and a believer in good government and in the city manager profession. (jperkins@raftelis.com)

Attracting and Retaining Younger Public Sector Workers

BY RIVKA LISS-LEVINSON, PH.D.

Practical tips for recruitment and retention of the next generation of local government professionals

Research on Recruitment and Retention

Recruitment and retention of a talented and diverse next generation of public sector workers remains a critical need—and challenge—for local governments across the country. For more than a decade, MissionSquare Research Institute (the institute) has been tracking these trends through a variety of surveys and other research methodologies. The institute examines these issues from multiple perspectives, including the employer, the employee, and those interested in public service.

Since 2009, the institute has conducted an annual survey of public sector human resources professionals in collaboration with the Public Sector HR Association (PSHRA) and the National Association of State Personnel Executives (NASPE). The results of the 2023 State and Local Workforce Survey highlight some of the key challenges that jurisdictions continue to face in recruiting and retaining the next generation of public sector workers.[1] For example:

- **Impending retirements:** While 16% of HR managers surveyed report that the largest anticipated number of potential retirements is happening right now, another 53% believe it will take place over the next few years.
- **Hard-to-fill positions:** Vacancies for many key occupations in the public sector (e.g., police, corrections, healthcare, engineering) remain challenging to fill, with organizations frequently needing to re-open recruitments.
- **Connecting with younger workers:** Asked how successful efforts have been to recruit Generation Z employees, only 3% of HR managers report that they have been "very successful" in efforts to recruit Generation Z employees.[2]

In May 2020, the institute also began surveying state and local government employees approximately every six months to better understand their perspectives on their current and future employment and finances, morale and job satisfaction, and recruitment and retention issues. Findings from these surveys, most recently "State and Local Government Employees: Morale, Public Service Motivation, Financial Concerns, and Retention,"[3] suggest that public sector workers are feeling stressed and burned out, financially insecure, and many are considering a job change.

In addition, in collaboration with Lead for America, the institute conducted a survey of local government fellowship applicants in 2022 to better understand what draws younger workers to public service careers.[4] The fellowship applicants surveyed overwhelmingly reported that meaningful work is their top priority, followed by workplace culture and compensation.

In fall 2023, the institute continued this line of research, exploring the motivations, morale, and outlook of current state and local government employees aged 35 and under through a survey of 1,004 full-time state and local government employees. Conducted by the institute and Greenwald Research, the survey assessed motivations for working in the public sector; attitudes about current finances and financial outlook; views on employer benefits; thoughts on retirement, morale, and job satisfaction; and retention issues. Results are described in depth in the report "35 and Under in the Public Sector: Why Younger Workers Enter and Why They Stay (or Don't)." The report, as well as a video summary of key findings, and a webinar recording and slides, are all available for view and download.[5]

Key Survey Findings on Younger Public Sector Workers

Results from the survey indicate that younger state and local government workers have frequently had prior experience working in the public sector, whether in another public sector job, or doing part-time or seasonal work. Job security, work/life balance, health insurance, and personal satisfaction from the job tend to be the top factors that drew them to a job in the public sector.

Many of them experience positive morale regarding their job and are particularly satisfied with their job security, their ability to serve their community, and the quality of their colleagues. The majority also believe that the benefits compensation they receive is competitive with the labor market.

At the same time, younger workers are experiencing a range of financial concerns, (e.g., rise in inflation, debt), and report high levels of stress in the past six months. While many are offered (and participate in) an employer's defined benefit or defined contribution retirement plan, and feel they generally have a good understanding of how their retirement and healthcare benefits work, they would still be interested in additional information and education about these topics.

The relatively large share of employees (20%) not knowing whether they are offered a defined benefit or defined contribution retirement plan through their employer supports the need for more communication and information by employers about these issues.

When it comes to their job, younger public sector employees want to work somewhere that improves communities, has strong team dynamics, has a culture of intellectual engagement, and aligns with their values. Important considerations are also seeing the direct impact they are having, and being part of a workplace that is mindful of creating an inclusive and welcoming environment for all identities.

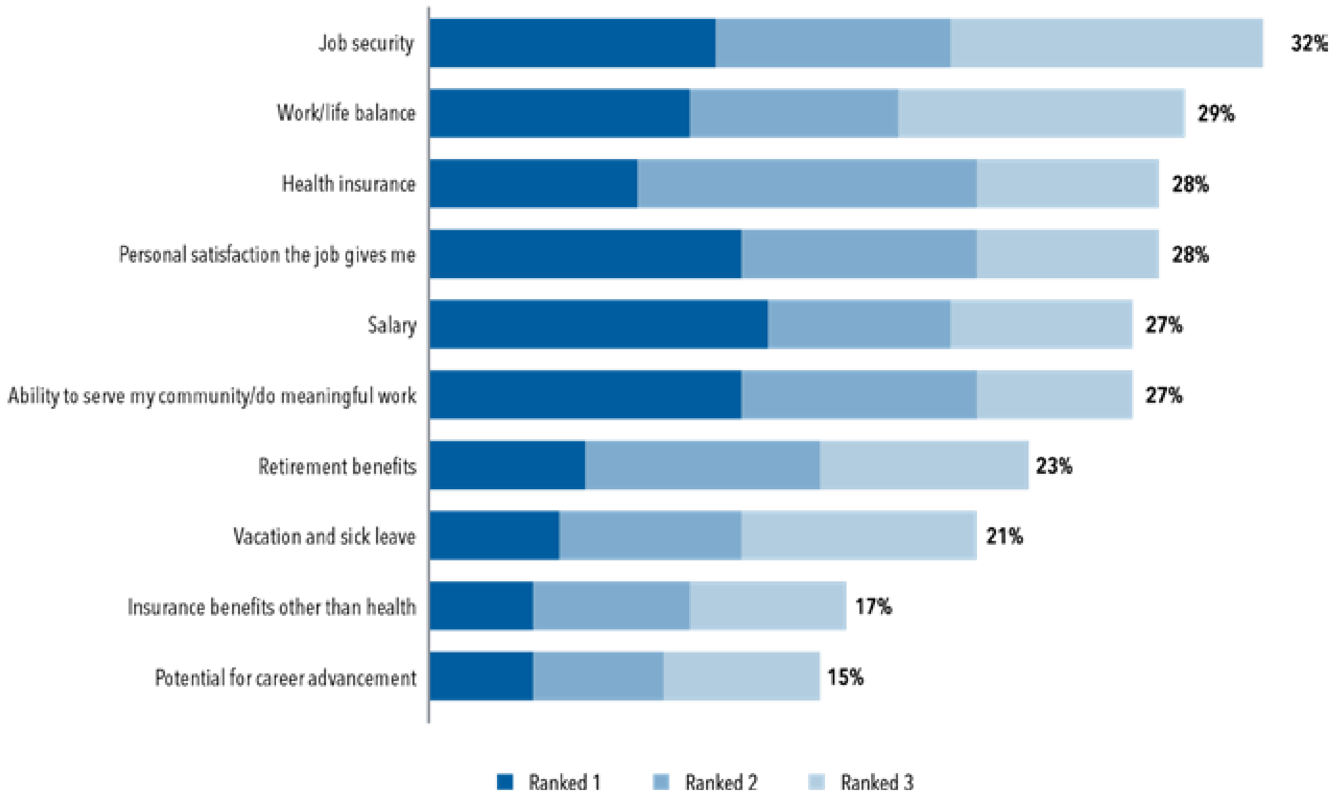
These workplace characteristics, however, do not take the place of competitive wage compensation, an issue that is causing many to consider changing jobs in the near future. While some are looking to stay in the same line of work but with a different employer, one in five of those considering a job change want to leave the government sector entirely.

Overall, nearly half of those surveyed would be very or extremely likely to recommend a career in public service to a friend or family member. And more than half report that they intend to remain in public service for a long time or until they retire. When asked to think about the words that best describe someone who is the best fit to work in the public sector, the most commonly listed words were caring, compassionate, empathetic, and understanding.

Seven Tips for Attracting and Retaining Younger Public Sector Workers

As state and local governments look to attract and retain the

Figure 1. Top 3 Factors Initially Attracting You to Work in the Public Sector



Over a quarter of public employees age 35 and under say they are working a second job.

next generation of state and local government workers, there are clearly areas where public sector employers are excelling, as well as areas for improvement. Public sector employers that work to address the needs and preferences of the next generation of workers are well positioned to thrive in the competition for talent, and will be able to continue providing high-quality, key public services to the community at large.

So how can city and county managers attract and retain the next generation of public sector workers? Here are seven practical tips for organizations to consider.

1. Increase Compensation.

Only 28% of respondents surveyed were very or extremely satisfied with their salary, and 71% of those considering changing jobs report that it is because they want a higher salary. When increasing compensation is not feasible, employers can focus on better communicating the full value of the total compensation package so that employees are not answering "don't know" to questions about how to take full advantage of their available benefits.

2. Show Appreciation and Recognition.

Only 27% of those surveyed strongly agree that they feel valued as an employee at work. Employees want to feel valued and have their hard work acknowledged. Employers can do this through a variety of ways, such as providing more flexible work schedules, acknowledging individuals at team meetings, highlighting employees who have gone "above and beyond," and showcasing staff contributions to the wider community.

3. Provide Financial Wellness Resources.

With 27% of survey respondents feeling not too or not at all financially secure and 70% reporting that debt is a problem for them, workers are looking to their employer for help in improving their financial health. Employers can explore offerings such as emergency savings fund vehicles and automatic enrollment of employees into a supplemental retirement savings plan. Organizations can also provide free online financial wellness resources, especially those tailored to younger workers and the unique issues they are facing.

4. Prioritize Employee Mental Health and Well-being.

More than three in four respondents (76%) described themselves as very or somewhat stressed over the past six months. Employers can help reduce stressors by providing or strengthening the emotional support they offer employees (e.g., respect, acknowledgment, encouragement, or employee assistance programs) to improve morale and productivity.

5. Emphasize Employee Impact on Community.

Younger workers are passionate about making a difference in their communities. Survey respondents most frequently said that it was important that the place they work improves communities. The ability to serve their community and do meaningful work was also cited as one of the top reasons respondents chose a career in public service in the first place. Employers can emphasize the critical role that these workers are playing in providing essential services and programs to their community. This can help both in retaining existing staff and appealing to job candidates seeking meaningful employment.

6. Implement Workforce Diversity, Equity, and Inclusion Initiatives.

As the overall demographic composition of the state and local government workforce continues to evolve, employees want to work for an organization that values diversity. Nearly two in three (63%) of those surveyed say it is important that their workplace is mindful of creating an inclusive and welcoming environment for all identities. Employers can help foster such an environment by implementing and/or strengthening workforce diversity, equity, and inclusion (DEI) initiatives and policies. Successful DEI programs and activities (whether formal or informal in nature) can have benefits for employers, employees, and the community at large, including improving employee recruitment and retention.

7. Foster Employee Development and Succession Planning.

While 64% of those surveyed believe that, at their current job, employees have a path to develop toward other roles and responsibilities if they so desire, insufficient opportunity to advance their career was one of the top reasons survey respondents gave for why they are considering changing jobs. To preserve institutional knowledge and maximize retention of staff, employers can prioritize training, mentoring, and job rotation opportunities to develop talent and leadership potential throughout the organization. PM

ENDNOTES AND RESOURCES

[1] https://research.missionsq.org/posts/workforce/state-and-local-government-workforce-survey-2023

[2] Generally defined as those born between 1997 and 2012.

[3] https://research.missionsq.org/content/media/document/2023/02/59976-slg-worker-report_final.pdf

[4] https://research.missionsq.org/content/media/document/2022/12/lessons-for-employers-from-fellowship-applicants.pdf

[5] https://research.missionsq.org/posts/workforce/35andunder

RIVKA LISS-LEVINSON, PH.D., is senior research manager at MissionSquare Research Institute.

BY TAYLOR LOUGH, LAUREN ROSE, AND IMELDA SPECK

BYOB (Bring Your Own Baby)

Embracing motherhood and professional growth in modern times

Becoming a mother while pursuing a career in local government is a unique journey filled with challenges, triumphs, a few awkward moments, and a lot of joy that comes from being both a public servant and a parent.

New and young parents often feel in constant pursuit of striking that perfect balance between serving your work community and being present in your own home. The two concepts can certainly co-exist if one finds that right balancing act. This requires near constant attention, planning, anticipating, adapting, and rearranging just to manage the day-to-day responsibilities. But most local government professionals are not satisfied with the status quo and seek out opportunities to learn and expand their networks, adding to the burden of keeping up with it all.

Life is not as neatly defined and separated as it may have once been with one primary

earner and one primary caretaker. We are fortunate that our predecessors paved a path forward and made sure that we have a seat at the table. While that has certainly created new opportunities, it also presents a new set of challenges and the pressure of trying to be and do it all in every facet of our lives. Though it feels impossible at some points, it can actually be done. It is possible to be an effective local government professional as well as a good mom (or parent), a friend, a spouse, and any of the other many hats we all wear. This new world we are in requires a different model and it often looks quite different than what most of us thought it would to make it all work. This article explores the benefits and possibilities that arise when we make our lives more seamless than separated, and integrate our families realistically into our professional lives so that mothers can thrive in local government, and not just survive through the years with littles.

Breaking the Stereotypes

The proverbial balance between work and home has long been a challenge for working mothers, particularly those in service industries where the demands can be unpredictable and often require an immediate response. This, in many ways, is a lot like being a parent to a little one. They too often have demands that are unpredictable and require immediate attention, so the skill sets are very well aligned. Giving a toddler a banana that was peeled the *right* way so they can "do it themselves" (those with toddlers know this is an art, not a science) is not too dissimilar from providing information to a resident who wants to understand a project themselves. Each requires prompt attention and tailoring to meet their expectations. In many ways, parents are extremely well equipped to serve and, the authors believe, have a better understanding of how to respond calmly with patience and logic from

Giving a toddler a banana that was peeled the right way so they can "do it themselves" is not too dissimilar from providing information to a resident who wants to understand a project themselves.

working with their own kiddos.

Prior generations may have felt the pressure to separate their personal lives and professional lives, being careful not to let a personal obligation such as a sick kid interfere with that important meeting. The pursuit of that clean separation feels neither practical or possible some days. Working so hard to work as if we have no other outside commitments or features to our lives besides local government is a disservice to us all. It has the potential to depict us as boundaryless, robotic bureaucrats who cannot connect with people. Most days it also is not possible with many of us being one part of a working duo of parents, who constantly have to shift and pivot based on priorities and obligations of the day.

We submit that it is better to let our personal sides show at work, to remind people of the *why* behind our work beyond public service: to provide for our families. It turns out that it is possible to take the call in the car on the way to the doctor's appointment or be mindful of what time the meeting ends so we can make the school pick-up on time. We encourage parents to bring their families, babies, and young toddlers, with a backpack full of snacks included, to the groundbreakings, ribbon cuttings, and community events to celebrate your work and the work of your team with your family.

Practical Challenges and Creative Solutions

Beyond the day-to-day service, it is also completely possible to pursue professional development as a working mother. The conventional boundaries between work and home have blurred, allowing for a more flexible and inclusive approach to professional growth.

The belief that professional growth must be put on hold during motherhood is a stereotype that we can challenge. We recognize that reliable childcare during evening public meetings and weekend community events is often scarce. This reality can make travel and attendance at conferences seem daunting for mothers. However, thanks to evolving perspectives and supportive workplaces and organizations like ICMA,

The conventional boundaries between work and home have blurred, allowing for a more flexible and inclusive approach to professional growth.

mothers can now consider attending conferences and training with their babies in tow.

Having experienced the positive impacts firsthand, we can attest to the benefits of bringing our babies to professional development conferences. With unwavering support from our supervisors and families, we have been able to continue our learning journeys while fostering deeper connections with our children. The baby will cry, and you may miss a point because you were changing a diaper. You will also expand your network beyond professional niceties or convenience because you have the same role or community size. Other attendees who may be caregivers themselves will share stories of their own children or grandchildren or nieces or friends. Some will offer to hold or stroll your baby while you participate. (You decide what that looks like). The authors learned a lot about themselves and how this new title of "mother" coincided with their career commitment to serve their local community. We've learned a new level of patience, expanded our professional network and deepened friendships, and renewed our commitment to the local government profession.

By embracing the idea of bringing babies along, we open up new possibilities. Weekend events, in particular, provide an excellent opportunity to involve your child in your professional world. Showing community members you have a life outside of work hopefully reinforces needed boundaries. The key is to communicate openly with supervisors and explore creative solutions that suit both personal and professional needs. Reach out to conference or training staff for location or program information that would help you organize your and your baby's day.

Some examples the authors employed were utilizing a baby carrier to wear your baby to sessions or events. Being hands free allows you to easily walk around in the back of the room and fully participate in tours and hands-on activities. If possible, bring a friend or family member along on the trip for an extra set of trusted hands. Most conferences now have special rooms dedicated to nursing mothers, allowing them some privacy and a quiet place away from the crowd. An exhibit hall can be a fascinating place for young children, allowing them to walk around with you, have a snack, and sometimes even play games at the various booths. At the end of the day, be confident in your dual role and integrate both "titles" at events to know that you do not have to take a backseat to furthering your career.

Supervisors

Crucial to this paradigm shift is the support of supervisors. Initiating a conversation about the possibility of bringing a baby to a conference might seem intimidating, but many supervisors are open to accommodating such arrangements. Highlighting the potential benefits, such as maintaining employee engagement and fostering a supportive work environment, can make a compelling case for this non-traditional approach.

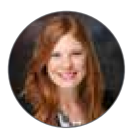
You Are Not Alone

For mothers contemplating attending conferences with their babies, it's essential to recognize that you are not alone. Many women have successfully navigated this path and found it to be a fulfilling experience. Sharing stories, tips, and advice within professional networks can help create a sense of community and encourage others to explore this option.

The choice between career and family should not be a binary decision for mothers in the professional sphere. By challenging stereotypes and embracing the idea of bringing babies to conferences and work events, we can foster a more inclusive and supportive work environment. Through open communication, creative solutions, and the support of supervisors, mothers can continue to grow professionally while nurturing their bond with their children. Let's empower each other to break down barriers and redefine the possibilities for working mothers in our ever-evolving professional landscape. PM

TAYLOR LOUGH is assistant city manager of Anna, Texas.

LAUREN ROSE is assistant city manager of Sachse, Texas.



IMELDA SPECK is the housing and redevelopment senior manager of Irving, Texas.

Intentional Design of Gender-balanced Municipal Organizations

A call to action for **women** in community leadership | BY LIZ HARTSGROVE

Research conducted by the Global Institute for Women's Leadership in 2020 revealed something significant: when women take their place as leaders in politics and public life, they are able to authentically exercise leadership in a manner that represents key ingredients that successfully drive economies, ensure stability, and improve quality of life not just for women and girls, but for society as a whole. While women represent 50% of the global population, the progress being made to attract, retain, and elevate women in roles of influence, shaping and managing policy, demonstrates persistent gaps obstructing from reaching a true representative government.

Because most governments only began incorporating women into the policy decision arena about 100 years ago—and regardless of marital, geographic, or educational differences—women administrators experience a common thread of working within both formal and informal structures populated and created almost entirely by men. The styles of management, communication, behaviors—not to mention the aspirations, traditions, legacies, and rules of the game—all have grown from a male-dominated and -oriented experience, culture, and career field. However, if women sincerely want our municipal organizations to be a reflection and representation of the people they serve, including the 50/50 ratio, we must be intentional about their design.

Women must strategically approach and prioritize in a tactical manner developing a comprehensive workforce plan specifically focused on gender-balancing and diversifying the municipal organization.

Step 1: Organizational Soul-Searching. Indexing how the municipal "box" is uniquely framed along with its contents, it is imperative that women in the public sector are in the driver seat initiating and conducting an internal audit; analyzing the current structure, policies, and standards; illuminating current and past obstacles; examining tolerated and traditional behaviors, including experienced bias; and documenting in our own voice how disproportionate resistance is generated and sustained.

Step 2: Frame with Foresight. Quantifying gaps and impacts, women need to work together to establish an organizational vision for the expectations of workforce attraction, retention, and elevation. This should include a targeted action plan to measure and guide future policy decisions, considering what is needed to purposefully shift a cultural environment toward equality, and outlining necessary resource allocation.

Step 3: Building the Foundation, One Contributor at a Time. Preventing "bait and switch" results, sustainable systematic changes are achieved through organization-wide alignment from the ground up. An organization cannot successfully adopt change unless its people are invited to the conversation and understand and support the reasons for creating the change. Everyone at every level (elected, appointed, volunteers, and residents) must be aligned, believe in the purpose, and value how their personal responsibility will contribute to the cultural transformation.

Step 4: Progress Is a Work in Progress. Culture is created by consistent behaviors either disciplined, tolerated, or rewarded. Therefore, an integral part of implementing strategies outlined in a municipal organization's workforce plan is embracing iteration. To ensure long-term success, clear expectations need to be communicated through training and reinforced and held accountable through ongoing performance standards across the municipal organization.

To capture the vision of how we want the future to be, as community leaders, women must take charge. We can no longer leave others to determine our value. This is our moment, our call to action. We must intentionally plan an assembly of strategies to attract, retain, and elevate a workforce that truly reflects the whole community that it is charged to serve. PM

LIZ HARTSGROVE is assistant town administrator of Bourne, Massachusetts.

The Role of the Deputy in Strategic Planning Efforts

The **connective tissue** that's crucial to the process | BY STEVE WRIGHT

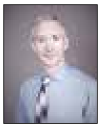
Having been personally involved in and having led a variety of strategic planning efforts over the last 15 years, I have discerned a number of factors that contribute to successful, impactful, and sustainable processes and outcomes. Just to name a few:

- A sufficiently thorough understanding of the various environmental and internal characteristics that can contribute to or inhibit success.
- Collaborative engagement of staff (at all levels) and community members throughout the process—not just at the conclusion for validation of thought work that has already been accomplished in a philosophical vacuum.
- Putting in place achievable but growth-inducing organizational and departmental goals.
- Actively evaluating against relative attainment of plan goals and objectives through the tracking of viable and operationally relevant performance metrics.

While none of these factors should be particularly groundbreaking or cutting edge to the learned readers of this article, organizations still struggle or fail to incorporate these foundational pieces into their strategic planning endeavors, thereby dramatically inhibiting relevance and buy-in.

Many of the efforts I have been part of or privy to were relatively ineffective (or unmitigated disasters), exhibiting a dearth of robust engagement of various stakeholders and full appreciation, understanding, and practical incorporation of environmental risks and operational constraints. Rather, they were largely isolated, executive-level-only processes. Little to no credence was given to line-level or community wisdom; day-to-day, practical operational experience; or awareness of potential or recurrent stumbling blocks.

Given the innate frailty of many such initiatives, how can the deputy administrative officer (DAO) enhance the success of strategic planning efforts? What is it about this pivotal role that can create the necessary connective tissue and synergy that drive collaborative planning efforts forward in a meaningful way? I would argue that the DAO role is pivotal in this circumstance for three principal reasons.



STEVE WRIGHT, a Lean Six Sigma black belt, is deputy county administrator for Gloucester County, Virginia.

First, the DAO often serves as a relationship-building and sustaining bridge between the chief administrative officer (CAO) and departmental leadership and staff. Most effective and fully leveraged DAOs actively and purposefully interact with staff throughout their assigned departments (including attending staff meetings, etc.).

Accordingly, the DAO is in an optimal position for securing informative strategic planning input, feedback, and buy-in from staff at all levels. Similarly, the DAO's often deeper relationships, based on mutual trust and daily support and collaboration, can garner richer and more honest feedback on the direction and focus of the planning process. This not only enhances the process and the end product, but increases the potential for inclusive decision-making and plan creation.

Second, the DAO, given that his or her duties transverse both the administrative and operational realms, is in the best position to inform the strategic planning process and enhance its functionally inclusive and thematically exhaustive nature.

A DAO on an effective and highly functional administrative team plays the vital role of balancing the expressed political will, which is filtered from the elected body through the CAO, with operational feasibility. The DAO, therefore, can assist with aligning the policy goals of the elected board or council with the functional realities (both good and blemished) of the organization, with the latter being viewed through the collective eyes of the managerial and line-level subject matter experts.

Finally, the DAO typically has a more robust and pragmatic, day-to-day understanding of the operational and environmental concerns and constraints impacting each department (particularly when viewed through the lens of a formal performance measurement/program evaluation system). He or she is arguably in the most optimal position to facilitate (in the connective sense) the creation of operationally relevant and functionally plausible strategic goals. At a minimum, the DAO is more intimately aware of which subject matter experts to leverage as arbiters of substantive legitimacy. This relates not only to the defined strategic goals but also to the strategies and actions to be undertaken in their pursuit.

Again, the principal contentions of this article presume that the DAO role is being utilized optimally as a vital part of the administrative team (with sufficient degrees of functional autonomy and protected authority over the individual's portfolio of departments). Though even in a suboptimal administrative environment (in which the role is largely relegated to that of a task functionary) the DAO can still be an effective bridge between visionary policy goals on the one hand and the practical realities of the operational sphere on the other. PM

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