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[Creating a New Future for a Downsizing Organization](#)



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Frank Benest, Palo Alto, California.

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PM MAGAZINE

Creating a New Future for a Downsizing Organization

by Frank Benest

Many local governments across the United States have been forced to downsize in response to the ongoing recession, reduced revenues, and skyrocketing health care and other employee-benefit costs. To aggravate matters, some states have shifted money away from local governments to solve their own budgetary problems. Whatever the reasons, local government executives face more than a financial challenge in cutting budgets. An even bigger dilemma for executives is the leadership challenge of crafting a new and vital future for the downsizing organization.

The Leadership Challenge

An organization faces a structural budget problem when ongoing projected expenditures outpace ongoing anticipated revenues over the middle to long term. Simply reducing non-personnel-related costs will not be enough. Usually, local governments cannot wait for new economic development efforts to produce additional revenues. Such efforts may also be insufficient. Hoping for the general economy to improve or for the federal or state government to bail us out tends to be "magical thinking." Often, the only immediate structural solution, unfortunately, is cutting services and staffing.

Organizations being downsized are confronted with two problems. Objectively, the organization has fewer resources (fewer people and less money for technology, training, and contract help) to deal with existing community expectations, as well as new demands placed on the local government. Subjectively, the situation is even worse. The "surviving" employees—those who are not laid off—are often grieving and feel victimized, overwhelmed, unappreciated, and pessimistic about the future.

If the leader asks employees to do one new thing or try out another approach, they will scream. Consequently, the impact of diminished organizational capacity to deal with existing problems and new issues is greater than the impact simply of reduced resources. This is the classic "productivity paradox." At precisely the point when a downsizing organization needs great boosts in employee productivity to overcome fewer resources, productivity takes a dramatic nose dive.

The organization needs more than expert financial management. Cutting budgets and laying off employees, while painful, are relatively easy when compared with the larger and more time-consuming leadership challenge. What the organization sorely needs is large doses of thoughtful, visible, and strategic leadership in order to create a new future and the added capacity to fulfill its goals and aspirations.

The Strategic Approach

To overcome the productivity paradox and to achieve greater organizational capacity, the local government executive must develop a multiphase strategic approach:

UNDERSTAND THE PROBLEM, AND DEVELOP A PRELIMINARY PLAN OF ACTION.

The chief executive and the leadership team must analyze the organization's structural problem, come to some conclusions about the sources of the financial problems, and develop a general course of action. This preliminary action plan may change over time as the executive team confronts the realities of reshaping the organization, but leadership still needs a plan. In developing an action plan, department directors must abandon their traditional "silo" mentality and derive, with the guidance of the chief executive, a wider, unified perspective.

The leader and other executive team members must also personally prepare themselves because creating a new future for the organization is a severe test requiring much fortitude and emotional and physical energy. Consequently, executive team members must care for and nurture each other as the team deals with organizational distress.

PREPARE THE ENVIRONMENT FOR CHANGE.

Executive leaders need to ready the internal and external environment for downsizing and organizational change. The leadership team must develop a long-range financial forecast, prepare briefing papers based on its long-term financial analysis, and discuss the fiscal crisis with the governing board, employees, unions, boards and commissions, and all the external stakeholders (chamber of commerce, neighborhood groups, League of Women Voters, service groups, PTAs). To adequately ready the environment, the local government manager should use all available media to "overcommunicate" to internal and external audiences because people will not want to believe the chief executive or will resist the negative implications (service cuts, layoffs, broken commitments) of the financial analysis.

... Creating a new future for the organization is a severe test for leaders, requiring much fortitude and emotional and physical energy.

BUILD POLITICAL SUPPORT FOR CHANGE.

After preparing internal and external stakeholders, the leadership team must build political support for proposed budget reductions and downsizing. Obviously, to show that significant downsizing is critical, the leadership needs first to cut nonpersonnel costs and other discretionary spending, as well as use hiring freezes where possible. At the same time, it is necessary to engage the community in the process to minimize opposition, as well as to generate citizen solutions. Citizen engagement techniques include:

- "Budget primers" and budget 101 classes to explain the financial crisis in understandable, nonbureaucratic language.
- Citizen surveys to identify "more important" and "less important" services.
- Prioritization of services based on criteria approved by the governing board (e.g., rankings based on whether service is legally mandated, is self-supporting, relates to public safety or health, or supports governing-board priorities).
- Community forums or family-room dialogues on the budget.
- "Budget toolkits" or budget-building computer simulations to help citizens struggle with tough budget choices.
- Citizen and employee budget ideas to raise revenue or cut costs, sent via e-mail to the chief executive.
- Coffees with the mayor and manager to generate citizen ideas and discuss solutions.

RESIZE AND STABILIZE THE ORGANIZATION.

Once the leadership team has prepared the environment as best it can and secured the political support or minimized the political opposition to make the changes, it needs to make the tough changes, including the service cuts, employee layoffs, and other budget reductions.

The long-range financial plan must show how the service cuts and layoffs will get the finances of the local government into a stable situation, so the organization is sustainable over time. Leaders should make all the necessary cuts to minimize undue anxiety on the part of surviving employees, who may fear that new rounds of layoffs may be necessary.

While some of the major reductions in services and staffing can be scheduled over a number of months or even a year, an organization should not unnecessarily drag out this difficult process. The "grieving" must begin, so that it will end sooner rather than later.

ENGAGE EMPLOYEES IN BUILDING A NEW FUTURE.

This is the hard part! The leadership challenge is engaging the hearts and minds of employees in envisioning a reshaped yet vital, productive organization, enthusiastically taking on new challenges and initiatives, and making new strategic investments in the future.

What are some strategies for creating this kind of new organizational capacity, even as the local government is being downsized?

Twelve Strategies

Here is a set of 12 interrelated strategies to reshape the local government and build employee spirit, passion, and commitment and, ultimately, organizational capacity:

1. DEMONSTRATE THAT YOU CARE.

As the executive team downsizes and restructures the organization, the leadership must provide support, show respect for employees, and demonstrate compassion and caring in tangible ways:

- "Overcommunicate" with employees through a series of open e-mails and employee briefings discussing the growing financial problem and approaches for dealing with it.
- Tell the whole truth to all employees; deliver bad news face to face, so that employees can look you in the eye and question you.
- Train managers and supervisors on how to communicate the bad news, refer employees for assistance, and support the "survivors" who will carry on after layoffs or workforce reductions.

- Provide outplacement services and training in writing resumes and interviewing.
- Extend health insurance coverage, and provide severance packages where appropriate.
- Provide individual and family counseling services and other employee assistance programs for any employees who leave or stay.
- Create "job banks" so that laid-off employees can be moved into vacancies where there is a good fit.
- Ensure that employees who take on higher levels of responsibility are appropriately compensated and recognized.

2. CREATE A NEW STORY FOR THE ORGANIZATION.

After the chief executive has taken the needed action to downsize and some grieving has occurred, it is time for the leader to help the organization focus on the future. As Marcus Buckingham states in a recent Fast Company article by Bill Breen, "The Clear Leader," a leader's job is to rally people toward a better future.

The organization cannot build new capacity to fulfill its new story unless it can accelerate through subtraction.

Through conversation and storytelling (not charts and PowerPoint presentations), the chief executive needs to solicit the hopes, dreams, and aspirations of employees about the future of the organization. New thinking and, ultimately, new behaviors in organizations are shaped by speaking to people's feelings through narratives, not "facts." Thus, our stories must be simple, positive, and easy to identify with and must resonate emotionally. In telling stories, leaders must ultimately focus on joy, which is always a stronger motivator than fear.

A good example of storytelling as a change strategy relates to the Xerox turnaround. Confronted by poor financial results, a lack of investor confidence, and major layoffs, the CEO of Xerox told a new story of what Xerox would look like in five years. The CEO, Anne Mulcahy, wrote an article in the style of a Wall Street Journal news piece, dated five years out, about how Xerox had overcome its difficulties and reemerged as an industry leader. Not only did the piece bolster the general spirit of employees, but it also drafted a blueprint for rebuilding the corporation.

As a prelude to another transformation, Steve Jobs engaged Apple employees and customers in a new story for the embattled company. Jobs recast the self-image of Apple from that of a marginal player to that of a small yet innovative elite who dared to "think different." In the same way, city and county executives can engage employees in conversations about current challenges and fears and then solicit ideas on what a new, more focused, vital, and sustainable organization will look like in five years.

For example, in the next five years:

- Will the organization shed or outsource certain outmoded programs and thereby better focus on a better-defined set of core services and competencies?
- Will the local government reduce some layers of management, widen the span of control of managers, and push leadership further down in the organization?
- Will the local government better use technology to enhance productivity, cut labor costs, and streamline operations?
- Will the organization eliminate non-value-added processes and promote a more nimble, risk-taking, and entrepreneurial style of solving problems?
- Will the local government "grow" a new generation of leaders to replace its soon-to-retire baby-boomer management team?
- To raise revenue or cut costs, will the organization sell services to other communities or collaborate with other local governments in delivering services?
- Will the local government collaborate successfully with other partners in promoting economic development in certain sectors, generating jobs and local government revenue?
- Will the local government be able to free up revenue to invest in additional infrastructure?
- Will employees acquire new experiences and learn the additional competencies needed to succeed in the new environment?

As part of the story, will the leadership team be able to answer the big question of employees: What's in it for me? The story must resonate with employees. While the local government is creating a new future, will their jobs become more secure? Will their salaries and benefits become more competitive? Will they learn new skills and become more valuable? Will the work be more exciting, challenging, and meaningful? Will they become partners in the enterprise?

The new story for the organization must be "real" and doable, with everyone's commitment. And it must provide a sense of meaning for employees. As Margaret Wheatley has stated, "Meaning is the most powerful motivator of human behavior."

To help the story become real, Marcus Buckingham recommends that leaders help employees focus their attention on one core strength. What is the organization's winning edge? Is it customer care, engaged employees, risk taking and the courage to innovate, learning agility, or connectedness with citizens?

To maintain an emphasis on the organization's competitive advantage, the leader must help everyone focus on the one "core score." Of all the things that a governmental agency measures, what is the one essential measure? One core score distills all the complexity and ambiguity and provides confidence to proceed.

In a downsizing organization, people fear the future. Therefore, Buckingham urges leaders to "engage our fear of the unknown and turn it into spiritedness." To do so, leaders need to "define the future in such vivid terms that we can see

where we are headed."

Once the story has been created, the leader and other executives must tell it over and over so it becomes the vision for the future.

3. RETAIN YOUR TALENT.

To ensure that there is adequate talent to make the new organizational story come true, the chief executive must keep both "stars" and up-and-coming talent. These generalists and critical specialists are the "free exiters" who have the skills and confidence to leave the organization at will. To retain the free exiters, the leadership team needs first to identify its star, or high-potential, talent. Second, executive leadership needs to figure out what motivates these stars.

Entrepreneurial ventures . . . generate a sense of new possibilities, positive energy, and forward momentum for a downsizing organization at precisely the point when they are most needed.

Typically, they want to grow, learn, take on new responsibilities, and be more engaged in challenging or meaningful work. Free exiters want to feel like partners in the enterprise. They also may want more flexibility, a new title, a promotion, a lateral move, more visibility, or the chance to go to conferences and get more professionally involved. Leaders must ask free exiters what they want, then try to give it to them. In many small and large ways, leaders must demonstrate that free exiters are appreciated. The chief executive cannot succeed in creating a new future without them.

4. RESHAPE EXPECTATIONS OF THE ORGANIZATION.

With fewer resources, it is critical to define the core responsibilities of the local government and reduce the always-growing expectations of the governing board and key external stakeholders, like the business community or neighborhood groups. The leadership team must continually reduce expectations and new demands, or at least insist that any new demand must mean elimination of an existing obligation.

5. SUBTRACT, SUBTRACT, SUBTRACT.

The organization cannot build new capacity to fulfill its new story unless it can "accelerate through subtraction." The only way to keep up with and respond to an ever-changing environment (especially after downsizing) is to cut less important or outdated programs. It is critical to eliminate whole programs, thus freeing up staff resources. Given that every program tends to have a constituency, the temptation is to reduce the scope of the program but keep it alive. This may cut budget but not free up needed capacity for other endeavors. At the same time, the leadership team must engage employees to cut "ritualistic," non-value-added rules, procedures, and adminis-trivia of all kinds. The city or county manager may hold a Bureaucracy-Busting or This Seems Stupid to Me! contest, with prizes for the best suggestions to cut red tape.

The key is not only having some fun in tough times, but also creating some slack resources.

6. FREE UP MANAGEMENT TIME.

Resourceful, astute downsizers look to flatten organizational structures, consolidate administrative positions wherever possible, and widen spans of control. To succeed in producing a vital new future for a downsizing organization, however, these now-fewer managerial resources must be freed up to work on visible and high-touch leadership initiatives, streamlining, learning, coaching, other productivity improvements, and new strategic investments.

The only way to free up management time is to change the typical way in which managers supervise line and support staff. Over-the-shoulder and regulatory supervision must be replaced by managing through values and goals.

If managers focus on program goals and set mutually agreed-upon end-results that are well developed, tangible, and verifiable, then managers can grant resources and authority and unleash those employees who are held accountable for achieving results. While, certainly, some employees need more support and attention than others, a preferred goal-driven management style can free up capacity at the middle and upper levels of the organization and make employees ultimately more productive and satisfied.

7. MAKE NEW STRATEGIC INVESTMENTS.

Even a downsizing organization needs to grow in certain areas, those in which there is a high potential payoff for the organization. To make strategic investments, it is critical to cut more than is minimally required or otherwise to create slack resources through streamlining, productivity improvements, and/or revenue enhancements. What are some possible strategic investments?

- Upgrades in technology to enhance productivity.
- Economic development initiatives to generate jobs for residents and revenue for local government.
- Facility renovations or new physical infrastructure.
- New service initiatives for underserved or vulnerable populations.
- Entrepreneurial ventures or service collaborations, to raise revenue or cut costs.

This last area—entrepreneurial government—is a key one for strategic investment. It is worth investing money, staffing,

time, and attention in selling services, expertise, facilities, and/or equipment to other public entities, if the local government can generate net revenue to subsidize its own services or at least its overhead. Cost centers like police, fire, ambulance transport, and information technology can all become profit centers.

Even if two or three local government partners are sharing the cost of a joint service (employee training, animal services, police and fire dispatch), the strategic investment can pay big dividends. Besides, the payoffs are not just financial. Entrepreneurial ventures afford new learning and growth opportunities for staff and bring a sense of new possibilities, positive energy, and forward momentum to a downsizing organization at precisely the point when they are most needed.

Finally, any of the above strategic investments would be a key theme in an organization's new story.

8. INVEST IN LEARNING TO BUILD CAPACITY.

To devise a new organizational story (whatever it is) and to develop added capacity as resources dwindle, an organization needs to invest in learning. While classroom training provides concepts, perspectives, and context for new ways of behaving and doing business, on-the-job learning is the most powerful way to acquire new skills, roles, and behaviors. As the downsizing organization is reshaped, employee competencies must begin to match new roles and assignments.

Direct-service staff, for instance, may need to learn contract management skills, if outsourcing some functions is required. New entrepreneurial ventures require business planning and marketing skills. As spans of control become larger and management positions are consolidated, over-the-shoulder supervision must be replaced by goal-driven management. These new competencies are learned by doing and through experience. Typical on-the-job learning occurs through:

- Interim, or acting, positions.
- Job rotation.
- Special assignments.
- On-the-job coaching and mentoring.
- Team or project leadership.
- Ad hoc multidepartmental project teams.
- Other "action learning" assignments.

The good news is that these typical learning initiatives are relatively cheap investments.

To promote a learning culture, executives must furnish opportunities for employees to "stretch," incorporate learning goals into employees' annual workplans and performance reviews, and reward and recognize employees, as well as their managers, for learning achievements. Most important, executives must promote an organizational and political environment in which risks are taken and mistakes are seen and used as learning object lessons.

As organizations confront accelerating change and technical skills become obsolete, learn-how becomes more important than know-how.

9. SHOW OPTIMISM, AND GIVE ENCOURAGEMENT.

While executive leaders must provide the unadulterated truth in tough times, it is equally essential to embody optimism about the future of the organization and to encourage employees as they take on new roles, assignments, and challenges. This is difficult. Senior managers must overcome their own negative emotions and their inclination to become disengaged and "hunker down." It is essential that leaders proactively manage the mood in difficult times.

The psychological impacts of downsizing seriously exacerbate the actual reductions in resources.

10. MODEL NEW ATTITUDES AND BEHAVIORS.

Employees will take their cues from their leaders. The most powerful way that adults (as well as children) learn is through modeling. Therefore, the leaders of the organization need to consciously model new behaviors (risk taking, entrepreneurial initiative, learning) and attitudes (optimism, faith in the future, openness to change, confidence). Modeling is the essence of leadership.

11. ALIGN ALL ORGANIZATIONAL SYSTEMS.

As the local government is downsized and restructured, all organizational systems must be consciously retooled and realigned over time to support the preferred future. Values, strategic planning, administrative processes for purchasing and contracting, hiring and promotion practices, learning and training, performance evaluation, rewards, and recognition systems all need to support the efforts to create additional capacity and organizational vitality.

12. PARTY WITH A PURPOSE.

To maintain momentum, executives need to celebrate small, as well as large, achievements. Leaders must show their appreciation for the risks taken by the employees, their new learning, and their commitment to the organization.

Some balloons, banners, "photos with the chief," playful awards (for example, a Turtle Award for sticking one's neck out, and of course food and drink can all make these celebratory events fun and help accentuate new attitudes, behaviors, and organizational momentum. We might call it "party with a purpose."

Making the New Story Come True

To help fashion the vital new future for a downsized and restructured local government, executives must understand that the psychological impacts of downsizing seriously exacerbate the actual reductions in resources. Employees typically feel victimized, pessimistic, overwhelmed, and resistant to any change or opportunities. An executive cannot manage an organization's way to a new, more vital future.

Rather, an executive must spend a lot of "face time" with employees, exerting visible, confident, and optimistic leadership and then engaging employees in envisioning a new story and fulfilling it. Employees need to see that someone is in charge, someone cares, and someone has a new story and a credible game plan. Then, of course, the leadership team must create organizational capacity through "subtraction" efforts, the management of expectations, employee learning initiatives, and other strategic investments.

Even in a downsizing local government, most of an organization's resources will be in people. People resources are the only expandable resource. People resources can be expanded by leadership—the ability to bring out the best in others through one's interpersonal, moral, and even spiritual attributes.

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PM MAGAZINE

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OCTOBER 2005 · VOLUME 87 · NUMBER 9

FEATURE

Ethics

California Pushes the Envelope on Advocacy

California cities and counties have reason to cheer. After enduring years of frustration because the state government was taking local government revenues away, they have formed a political action committee and persuaded voters to approve Proposition 1A in November 2004 with a large majority. Local government officials hope this state constitutional amendment will restore predictability and certainty to local revenues.

Proposition 1A allows the state to borrow—but not permanently take—local government revenues in the event of a fiscal emergency, according to the League of California Cities (LCC). Governor Schwarzenegger gave his support to the ballot measure, as did many state legislative leaders from both parties.

GOING ON THE OFFENSIVE

Rod Gould, city manager of San Rafael and current president of the City Managers' Department of the LCC, puts it this way: "It was an invigorating change for many of us to work for the passage of 1A. . . . It was the simple difference one feels [going] from passively receiving ill treatment to actively responding to limit it in the future. After years of making the same good-government arguments to state legislators and staffs about the harm to local services done by ongoing state raids on property taxes, only to be roundly ignored or worse, it was great to go on the offensive.

"Because cities can neither endorse candidates nor provide campaign donations, we are comparative small fry in the sea of interest groups with influence in Sacramento. The initiative process offered cities and counties a way around the legislature directly to the people of California. Those people, whether asked for signatures, donations, or votes, resoundingly stated their opposition to further state thievery of local funds. It put local government at the table. What a rush! Now, our challenge is to stay there and make the most of our newfound status as players in the state political arena."

Gould's perspective is widely shared among city and county managers throughout the state. Arne Croce, city manager of San Mateo, says that Proposition 1A has changed the political landscape in California. He cites two realities underlying the need for change: 1) a 25-year voter trend toward taking authority away from local officials to make decisions on taxes; and 2) the lack of a constituency for good government in the state legislature.

"Since good-government advocacy is now required to address the needs of our communities, a campaign structure to support it is also necessary," Croce explains. City and county staff cannot spend public time or resources on these activities, so the work must be done outside the normal work environment.

Croce estimates that CITIPAC will need \$1 million in annual contributions to sustain the local government influence. He is urging his colleagues to give a personal contribution of \$25 per month to demonstrate leadership and was disappointed that only 40 percent of California managers made contributions toward the Proposition 1A initiative.

WHAT ABOUT POLITICAL NEUTRALITY?

While some managers worried that the profession would get tarred as too political, with high-profile advocacy, there was little negative fallout. Orange County Chief Executive Officer Tom Mauk says that managers did a good job in raising ethical issues before moving into action.

He recalls a conversation in which someone put forward an idea of raising funds from contractors that could have posed problems. Upon hearing of an idea like soliciting funds from contractors that provide park maintenance, other managers pointed out the ethical problems and kept their colleague from crossing this line.

Chris McKenzie, executive director of LCC, echoes this view. Once the LCC and ICMA had developed ethics advice that was tailored to California law, they made sure that it was broadly publicized. "The guidance was effective, as was the preaching that we did about the kinds of issues that can raise concerns," says McKenzie. (To read the advice, go to the

"Ethics" topic area at <http://icma.org>, and click on "Political Activity.")

Neither McKenzie nor LCC Legal Counsel JoAnne Speers received a single complaint about Prop 1A advocacy activities. (Speers notes that one city got into hot water on an unrelated local ballot measure when city staff used city letterhead to send out messages, forgetting that it is improper to use city materials, equipment, or time in support of a local ballot measure, even when it is unanimously supported by the city council.)

Most governing bodies gave quick support to Proposition 1A, but a few did not. Gordon Anderson says that the city of Santa Monica was reluctant to support Proposition 1A initially because of the belief that ballot-box government is not good government. He found himself in an awkward position when he was asked to brief the Santa Monica Chamber of Commerce before the city council had taken a position. He stuck to the facts, rather than advocating the measure. As a result, the chamber almost did not support Proposition 1A, though it ultimately did so.

One issue that concerns Anderson is that employees might feel pressured to make financial contributions when their boss is the advocate for doing so. He notes that managers need to be careful that their enthusiasm for a ballot measure not be misconstrued as strong-arming employees for donations.

GRASS-ROOTS CAMPAIGN

The initiative was launched after the LCC had hired 14 regional representatives three years ago to strengthen grass-roots advocacy. The expansion was funded by a significant dues increase, which city governments paid to the municipal league. Once the positions were in place, local officials spearheaded a separate fund-raising effort to create CITIPAC, the political action committee.

The new structure and the additional staff resources made it possible to build a coalition with county governments, special districts, and unions, setting up legal structures for a campaign and researching the best approaches to protecting locally raised revenues.

When asked to assist with fundraising for the campaign, some managers limited their role to providing ideas on whom to approach for contributions or strategies on fundraising. Others were more assertive and made personal appeals for contributions.

Rather than taking a visible role in encouraging their own employees to make contributions, Arne Croce says, some city managers reached out to department directors in a nearby city to encourage them to donate to the campaign. Some state associations were generous in supporting it. Examples that Croce notes are the finance directors' association, which contributed \$50,000 to the campaign, and the Municipal Management Association of Northern California, which donated \$25,000.

Dave Rowlands, city manager of Chula Vista, says that if local governments get behind an initiative like this one, they need to commit themselves to winning it. He describes these activities as critical to the successful campaign:

- Appoint a statewide committee, organized by region, to coordinate activities.
- Hold regular meetings, so that people feel obligated to follow up and stay in touch.
- Coordinate telephone calls to private companies, so that a large contribution can be solicited, rather than several small ones.
- Set fund-raising targets by region.
- Designate lead people in each geographic area.
- Encourage elected officials to make phone calls for contributions.
- Contribute personally to the campaign, to establish credibility.
- Tap campaign contributions from elected officials' coffers.
- Celebrate milestones by holding parties to have fun and recognize progress.
- Maximize news coverage by going to editorial boards.
- Hire a public relations campaign coordinator.

Tom Mauk and Arne Croce emphasize another element of success, namely, that cities reached out to counties and special districts to build a broad coalition of local governments. "One value of the Proposition 1A experience was the process and not the specifics," says Mauk. "Everyone coalesced around the need to strengthen local revenues. The positive effects of the cooperation continue to linger."

BUY BACK HOME RULE?

While the victory at the ballot box was sweet, some communities have paid dearly in the short run. To gain Governor Schwarzenegger's support, local leaders agreed to give up two years of local revenues (\$1.3 billion) to the state. For Orange County, the revenue loss amounts to roughly \$28 million per year.

While Governor Schwarzenegger has promised to give back vehicle license fees to local governments as an offset, amounting to \$13 million of the \$26.5 million owed to Orange County this year, the shortfall will require some service reductions. Orange County has put a series of public budget workshop slides on its Web site, at <http://ocgov.com>, to help educate its residents about the county's financial picture and strategic goals.

The city of Salinas, birthplace of novelist John Steinbeck, garnered national headlines when the budget deal required that community to consider closing all of its libraries. To avoid closing the libraries, the community has raised

\$678,000 in donations, enough to keep the three branches open for 10 hours a week through December 31, 2005.

Still, more than half of the library staff had to be laid off. City officials have put a 1/2-cent sales-tax measure on the ballot for November 2005, giving Salinas residents another opportunity to pay higher sales taxes if they want to keep the libraries open.

Many observers point to the passage of Proposition 13 in 1978 as a critical factor in the local revenue problem. When this author interviewed one of ICMA's past presidents, Wes McClure, in the August 1978 issue of *Public Management* and asked him if he thought voters had reached the level of government they wanted to, he said, "It is the only level of government they could reach. . . . When they had an antigovernment measure in front of them, they took a shotgun approach and didn't worry about where it was aimed. . . . If they had had a choice, they might have been more selective in limiting state spending or federal spending."

There was also the issue of trust. As a former ICMA executive director, Mark Keane, wrote in that same issue of *Public Management*, "California voters did not trust public officials, from the governor on down, who said passage of Jarvis-Gann [Proposition 13] would hurt badly. . . . Polls taken both by CBS News right after passage of Jarvis-Gann and by the Opinion Research Corporation within three days showed that those favoring major tax cuts did not want services cut. Moreover, they did not believe services needed to be cut."

In *PM*, Keane cited another factor in the voters' discontent: the declining buying power of an average hour's pay. "Taxes, on the other hand, have not declined as a percent of income. . . . Property taxes remained the same proportion of wages in 1976 as they were in 1966."

What has changed since that time? Will California once again start a trend that sweeps other states? Dr. Laurence Rutter, former ICMA associate director and staff member for the Future Horizons Committee (1979), now works in the radio broadcast industry and lives in San Luis Obispo. He remains an astute observer of the local government profession and the shifting sands of public opinion.

"Ballot propositions are a foolish way to govern a state," says Dr. Rutter. "But that is the way most decisions are made in California. The state of California has squeezed local governments in favor of other interests, leaving local governments with few options to raise revenues for needed services."

"It is hard to say whether or not Proposition 1A will be good for local governments, but it is naïve to think that Governor Schwarzenegger can deliver on his promises."

"What I worry about," says Dr. Rutter, "is how we are making decisions about the future of our communities. There is no incentive to build houses now. Local governments are only interested in building facilities that can generate sales taxes. While our government leadership gives lip service to the importance of creating moderately priced housing, there is no incentive to do so."

Dr. Rutter gives the example of San Luis Obispo, where voters recently turned down a referendum to develop a shopping center that the mayor and a majority of the city council supported. When he asked the mayor if he would have supported the shopping-center project if there had been no sales-tax increment connected to it, the mayor equivocated.

A CREDIBLE PROFESSION

Because of the way city and county managers handled themselves in the Proposition 1A campaign, their reputation for professionalism remains strong. Dr. Rutter says that he met San Luis Obispo City Manager Kenneth Hampian when he and city staff were out in that community drumming up support for the initiative. The media in San Luis Obispo and surrounding communities continue to show respect for the city and county managers who work in the region.

ICMA Executive Director Bob O'Neill says that the implications of Proposition 1A are huge. "The real question is how managers can influence decisions in an environment that increasingly is shaped by initiatives. City and county managers can no longer go to the state legislature and make arguments just on the basis of facts. They are looking for a way to have a voice again while taking care not to injure the profession."

Perhaps, a profession that cares so deeply about good government can supply the leadership and connection with the public needed so that communities can make wiser and more informed decisions about their future. If assertive advocacy is part of this leadership role, managers will need to be vigilant about what is ethical and what is not so they can maintain their professional reputation and image.

—Elizabeth Kellar
Deputy Executive Director
ICMA

Ethics advice is a popular service provided to ICMA members. The inquiries and advice are reviewed by the Committee on Professional Conduct, the ethics committee of the ICMA Executive Board. Some of the inquiries are revised and published as a regular feature in *PM*, to give guidance to members in the big and little ethical decisions they make daily. If you have a question about your obligations under the ICMA Code of Ethics, call Elizabeth Kellar at 202/962-3611; e-mail, ekellar@icma.org; or Martha Perego at 202/962-3668; e-mail, mperego@icma.org.

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PM MAGAZINE

DEPARTMENTS

Profile

Bentley Enjoys Being (Home)town Manager

Hudson, North Carolina, Town Manager Rebecca Bentley never imagined she would be in the position she is today. Bentley said she always wanted to be a teacher, but she has found happiness working for the town in which she was born and raised. "I have a vested interest in Hudson because it is my hometown," Bentley said. "It is more than just a job to me."

Bentley said school was her favorite thing as a child. She said she really enjoyed learning and that her mother was a profound influence on her love for education. Her mother believed that education was extremely important and that a person can do anything they wish if they are well educated.

Bentley said all of her teachers also were a tremendous influence on her life, and she wanted to be just like them. She said her third-grade teacher, Elaine Tapper, and her high school principal made her feel that teaching was her calling.

But Bentley did not pursue her dream of becoming a teacher upon completing high school. Bentley, a 1972 graduate of Hudson High School, would be married with two children before she enrolled at Caldwell Community College and Technical Institute (CCC&TI) and later at Lenoir-Rhyne College. She said she wanted to pursue higher education but did not want to be too far away from her children.

When Bentley completed her college degree, she wanted to be an accounting teacher, but there were not many openings in that job field. So, she used her minor in accounting to take a job as a cost accountant at a local company. "I really liked the atmosphere [of school]," Bentley said. "If there had been a position available [when I graduated], I would probably be there today."

Bentley does have some teaching experience. She said she did part-time instructing at CCC&TI as an instructor in the college's business department.

"I really enjoyed teaching the students in the evening classes," Bentley said. "They were eager to learn and really wanted to be there."

She then found a job opening in the newspaper for finance officer for the town of Hudson. She said she did not think she would get the job but applied for it anyway. "I looked at that newspaper and said, 'That is my job,'" Bentley said. "It was the right job for me."

Bentley was hired as the town's finance officer in 1988, then was selected to succeed her boss and become the new town manager in 1996. It turned out to be a perfect fit for Bentley since her family has a long-running connection with Hudson. She said her great-grandfather, W.D. Cloniger, was a tax collector in Hudson.

Bentley said the position was one that could easily change hands, and the Hudson Board of Commissioners wanted to find a candidate who would bring stability to the position. She said she feels honored to have been selected, as the commissioners felt that she would bring the stability they desired.

As Hudson's town manager, Bentley is responsible for all operational aspects of the town. She said she must be familiar with all the laws and statutes, as well as such other items as planning and zoning and water and sewer. Other responsibilities include overseeing the police department, the town budget, and communicating with legislators, people from the community, and everyone in between.

According to Bentley, Hudson is a full-service community, and the business of government in Hudson is to find out



Rebecca Bentley is town manager of Hudson, North Carolina.

what the community needs. She said the objective is not to make a profit but to provide the services people need and to be in touch with citizens. Bentley said the best thing about her job is the people she works with and the people she works for. She said it really means a lot when people stop her in the grocery store to thank her for the work she has put into a project. The citizens of Hudson also have recognized her hard work by selecting her as Hudson Woman of the Year. She said she is always humbled to be recognized by the community.

"When people leave this world, they want to know they have made a difference and left an imprint," Bentley said. "I believe my job has given me a great opportunity to do that." According to Bentley, her performance depends on two factors: how well she is directed by the commissioners, and how well her staff works with her. She said that it is a team effort and that she could not do it alone; having a staff with an average of 20 years of experience makes her job easier and provides the best atmosphere.

Hudson Town Clerk and Tax Collector Tammy Swanson said her time working with Bentley has been an educational experience: Bentley has given her coworkers many opportunities to improve themselves, and Bentley is always willing to give suggestions and lend a helping hand.

"She does a great job, and she really 'lives' the town," Swanson said. "She wants the best for the town and will go the extra mile. Hudson is very fortunate to have her. She has worked very hard to get where she is and to help Hudson be a great place to live."

Janice Woodie has only been a full-time employee with the town of Hudson for less than one month, but she has already observed Bentley's strong work ethic. Woodie said that Bentley is dedicated to her job and looks at the town as a big part of her life.

According to Bentley, she has spent most of her spare time working on completing her master's degree in public administration through Appalachian State University. She said the rest of her spare time is invested in her family and her church, Hudson United Methodist Church. She said family is a major priority in her life, and her granddaughter is the light of her world.

Bentley's degree work and job have kept her busy. She said she looks forward to the opportunity to get some rest when she finishes her master's degree in the spring: "I would like to relax. I have not been able to for a while, since working on my degree."

Bentley said she would like to be able to help more with the planning of upcoming Centennial events and to be able to start knitting a quilt for her new grandchild, who is due in six months.

—Ron Jackson
Staff Writer
News-Topic
Lenoir, North Carolina

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