

# The Five Stages of Denial When Rightsizing

Opal Mauldin-Robertson, Christine Smith,  
Mary Sassi Furtado and Mike Goodrich  
ICMA Conference Presenter



# Objectives of the Session

- Identify budget options being explored
- Define rightsizing and specific approaches
- Reveal the Five Stages of Denial
- Explore key considerations when rightsizing
- Case Studies & Success Stories

# Session Leaders

- Session Leader:
  - Opal Mauldin-Robertson, City Manager, Lancaster, Texas
- Panelists:
  - Christine Smith, Principal of Baker Tilly Virchow Krause, LLP, Public Sector Consulting Group, Madison, Wisconsin.
  - Mike Goodrich, Director of Administration, Arlington County, Virginia;
  - Mary Sassi Furtado, Executive Director of Strategic Operations, County of Sarasota, Florida

# What Opal Didn't Tell You

- Travel over 200,000 miles annually advising clients on strategic resource optimization
- Most interesting experience was being told by a fleet manager that he “couldn't fathom” what a dumb blonde could possibly know
- Thrilled to be here with Mary and Mike giving you some insight into ways to manage the rightsizing process

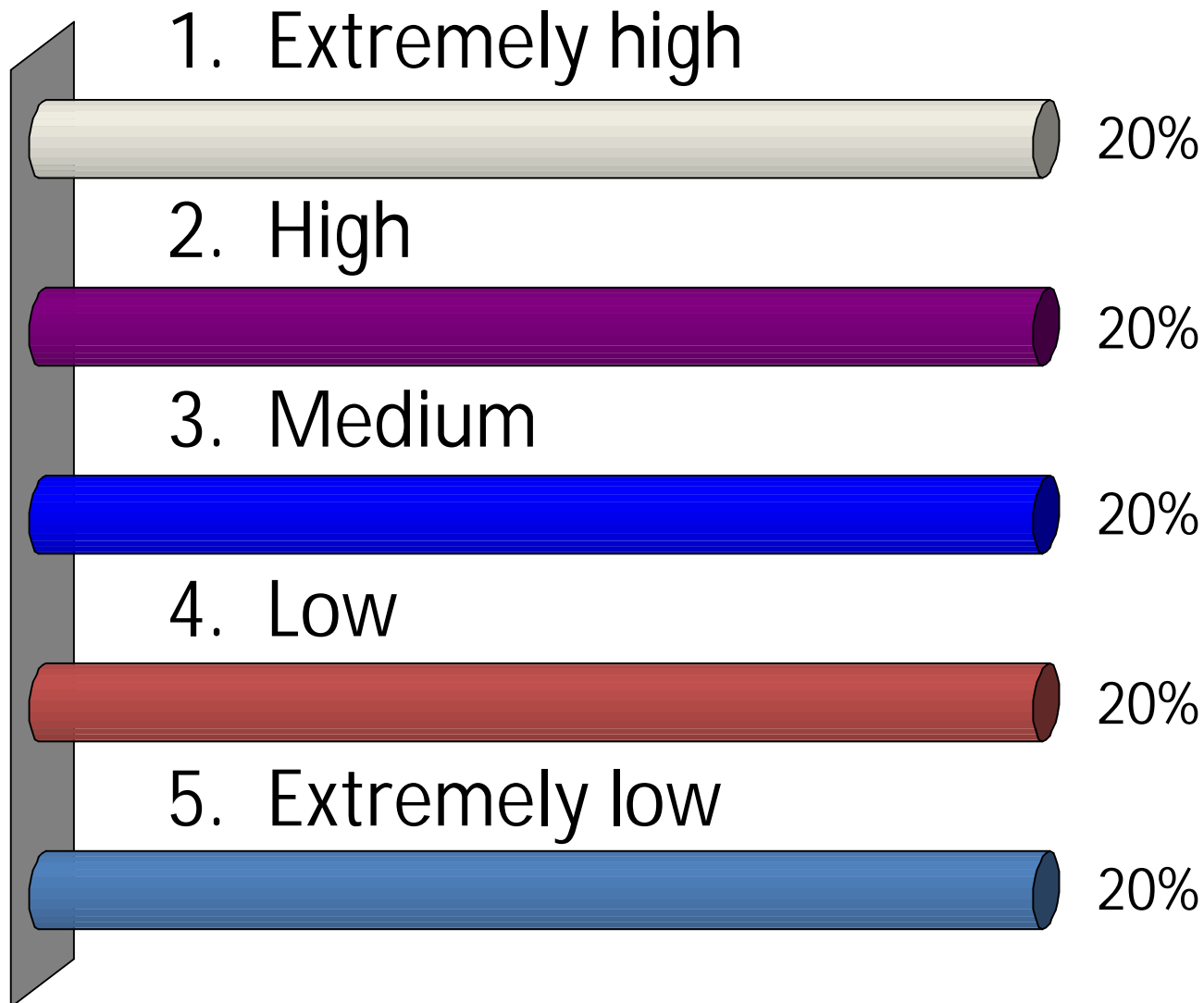
# “The State” of Government Finance

- GDP grew 2.9% in 2010; gov't spend decreased by .06 (U.S. Bureau of Economic Analysis)
- GDP predicted to grow by 3.5% this year, first quarter barely grew 1% (United States Conference of Mayors)
- Collectively local government budgets equal \$3 trillion with \$1.5 trillion attributed to state and local government
- Currently there is \$2.7 trillion in municipal bond debt outstanding

# Fiscal Condition & Response

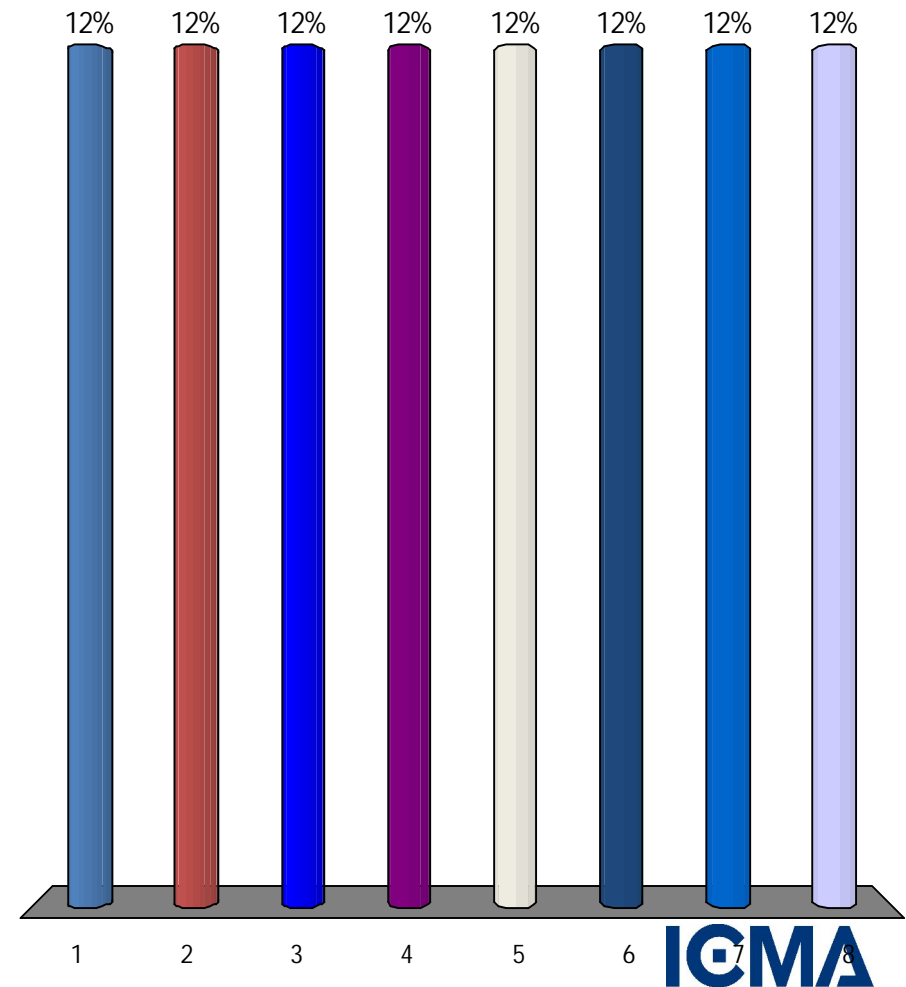
- The next few slides consist of interactive audience participation questions

## What level of staff reduction activities do you anticipate?



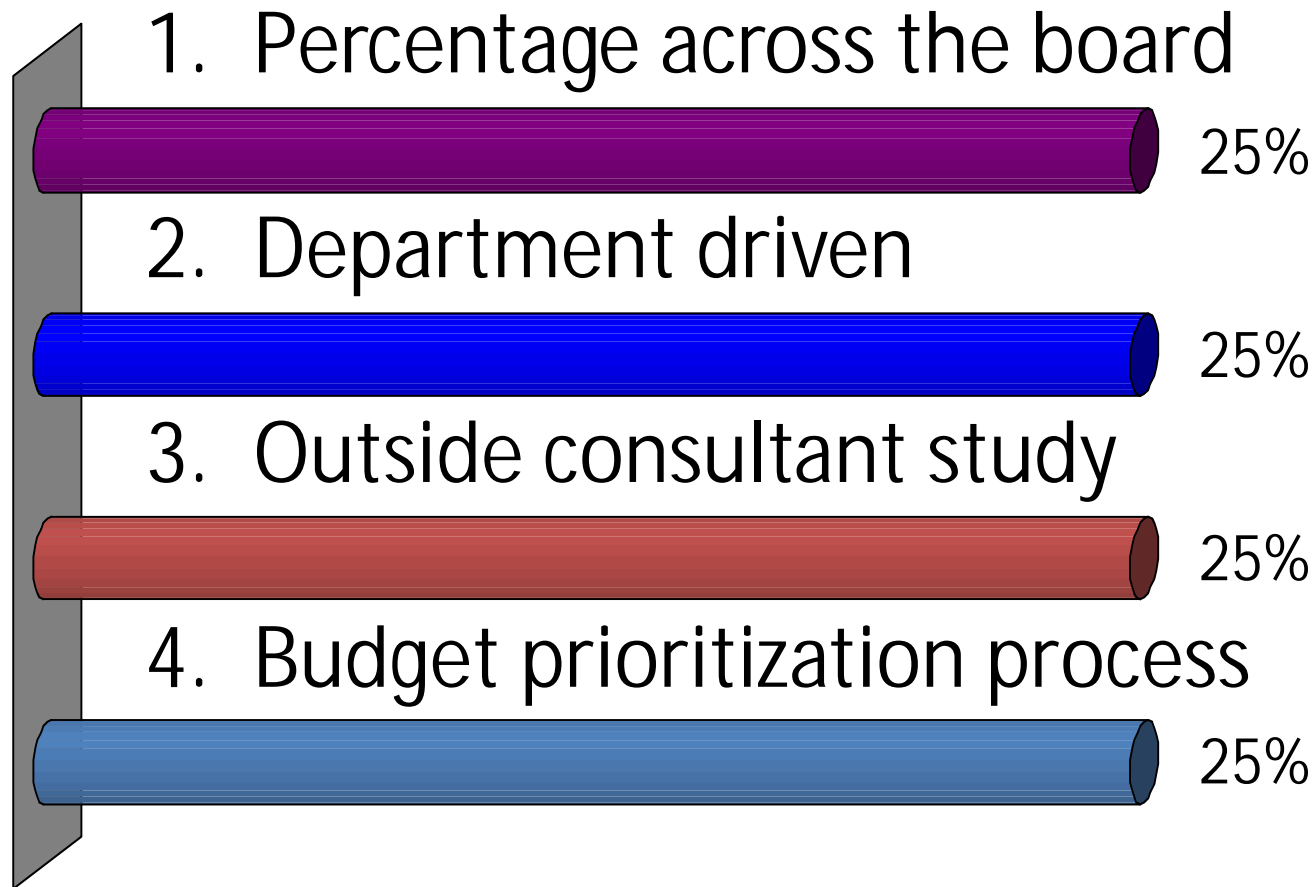
# What is the likelihood (rating scale 1 to 5) that you will turn to the following options to address a budget gap during the next two years?

1. Staff reductions
2. Staff benefit cost reduction
3. Wage freezes
4. Consolidation of service delivery
5. Shared service arrangements
6. Privatization of services
7. Increase in revenue
8. Early retirement incentives





## What approach will you take to staff reductions?



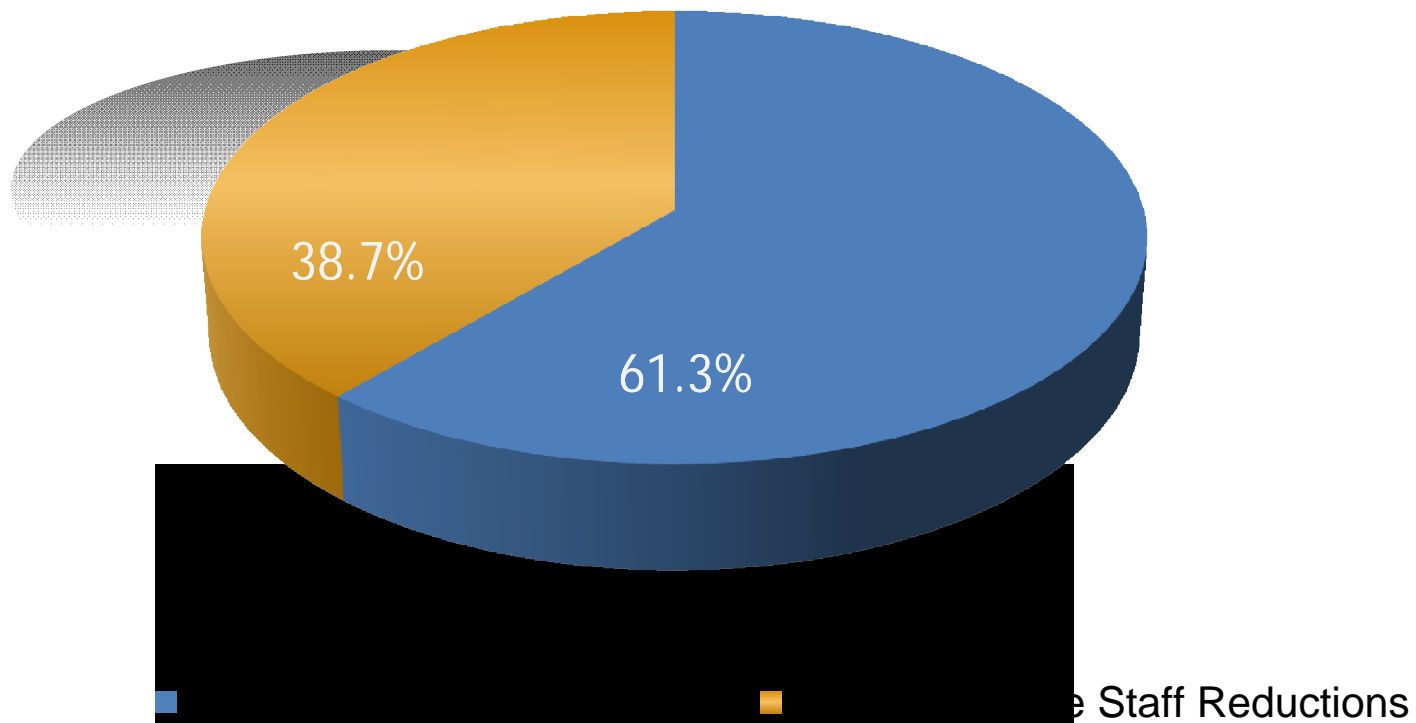
# Fiscal challenges: What are others doing?

- 2009 survey by ICMA indicated the following actions:
  - Eliminated positions (40%)      Laid off staff (19%)
  - Reduced or froze salaries (50%)      Implemented furloughs (11%)
- 2011 Baker Tilly survey of governmental leaders indicated the following approaches to resolving budget deficits:
  - Staff benefit reductions
  - Wage freeze
  - Staff reductions
  - Shared Service arrangements
  - Consolidation
  - Privatization
  - Increased revenue

The likelihood of pursuing each of these varied significantly, but the message was clear – the current fiscal situation requires nonconventional approaches.

# Fiscal challenges: What are others doing?

Two in three governmental leaders surveyed by Baker Tilly anticipate staff reductions.



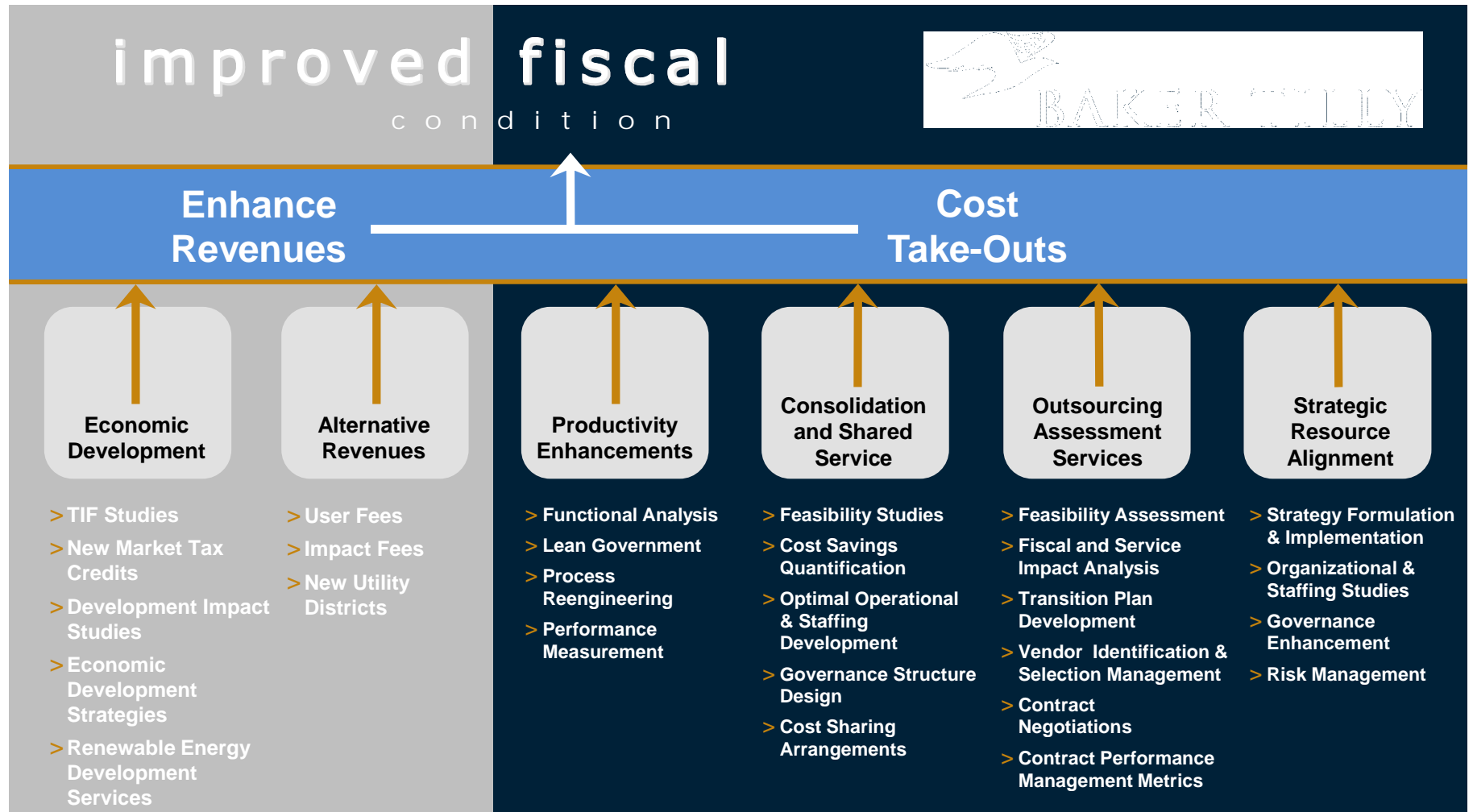
# Definitions

- Downsizing
  - To undergo a reduction in size.
- Rightsizing
  - To undergo a reduction to an optimal size.

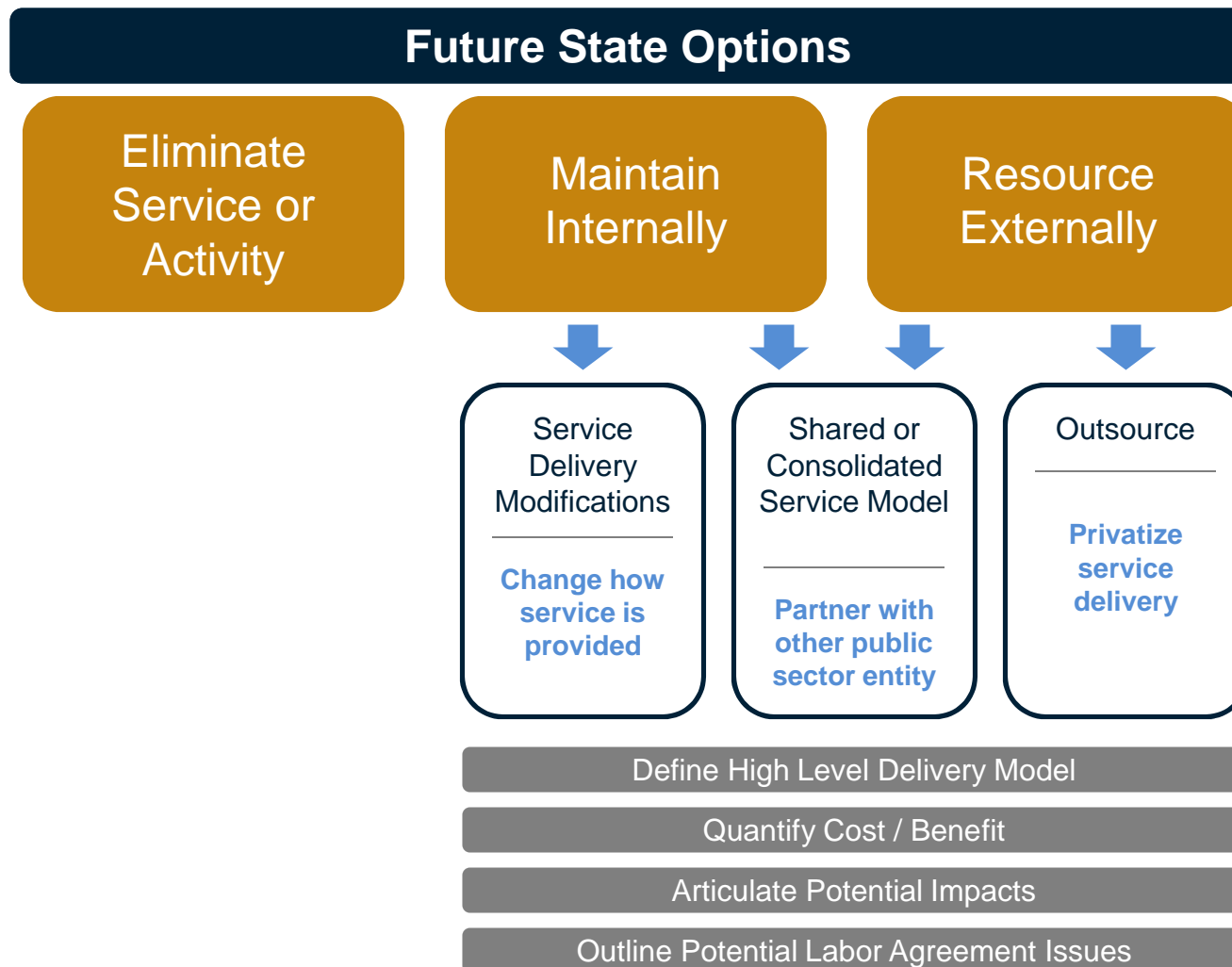
Source: Merriam-Webster

# Approaches to Rightsizing

- There are numerous options to move an organization to its optimal size - one size does not fit all.



# Approaches to Rightsizing



# Primary options for rightsizing

**Flexible rightsizing**

Or

**Eliminate  
Programs/Layoffs**

Or

**Consolidation/Shared  
Services**

Or

**Outsourcing**

# Primary options for rightsizing

- Flexible rightsizing
  - Most often implemented as a precursor to, or instead of, more difficult rightsizing options
  - Includes alternative practices such as:
    - Furloughs, reduced work weeks, sabbaticals, telework, pay cuts
  - While initially implemented as part of fiscal reduction exercises, many entities sustain such practices and find increased worker satisfaction due to increased flexibility



# Primary options for rightsizing

- Eliminate programs/layoffs
  - Typically requires an assessment to identify core versus discretionary services – Functional Analysis
  - All impacts must be fully assessed (i.e., fiscal, service, staff)
  - Decisions to rightsize through layoffs should consider the cost of turnover, the impact on productivity and lost relationships

# Primary options for rightsizing

- Consolidation/shared service
  - Focus is on functional delivery of service and assumes economies of scale in joining two distinct organizational units
  - Operational fiscal savings may not be immediate; however avoided increases in long term benefit, salary and related operational costs (i.e., equipment, clothing) and immediate savings in capital costs are probable
  - Resolution of service approach or level differences is vital and sometimes difficult

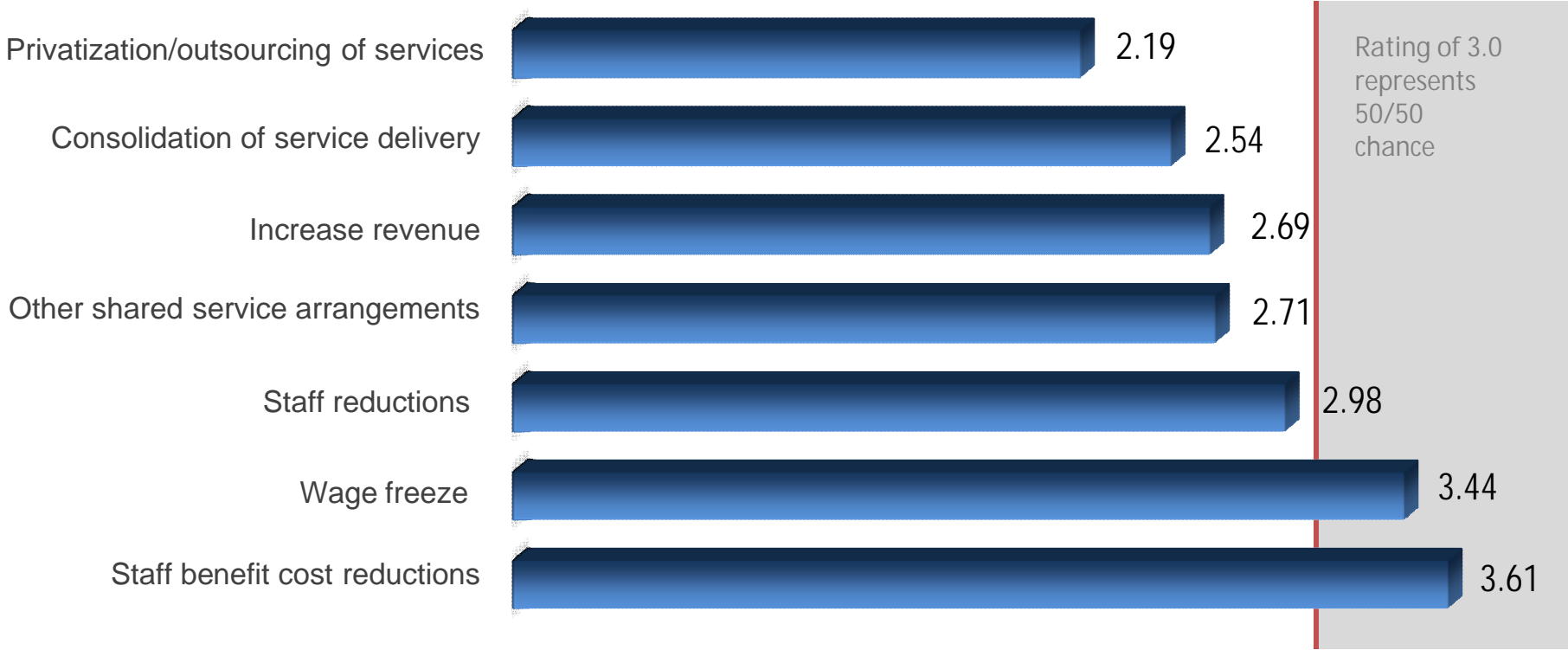
# Primary options for rightsizing

- Outsourcing
  - Considered most often for non-core services (i.e., back office, core operations support services)
  - Fully loaded cost comparison is essential to determine business case for the change
  - To be effective long term, proactive and astute contract performance management is vital

# Survey results

## Budget options

March 2011 Survey of Local Governments, n=80 - Ranked by least likelihood (scale of 1 to 5, 5 most likely)

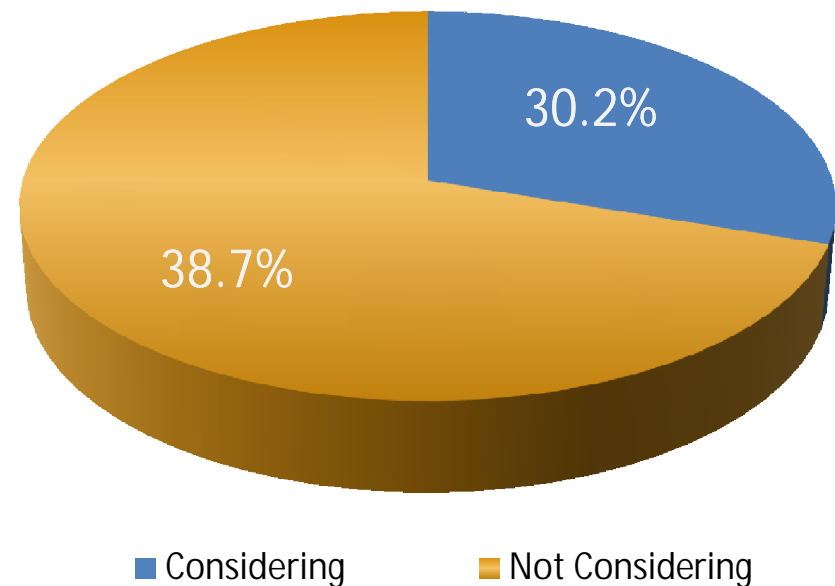


# Survey

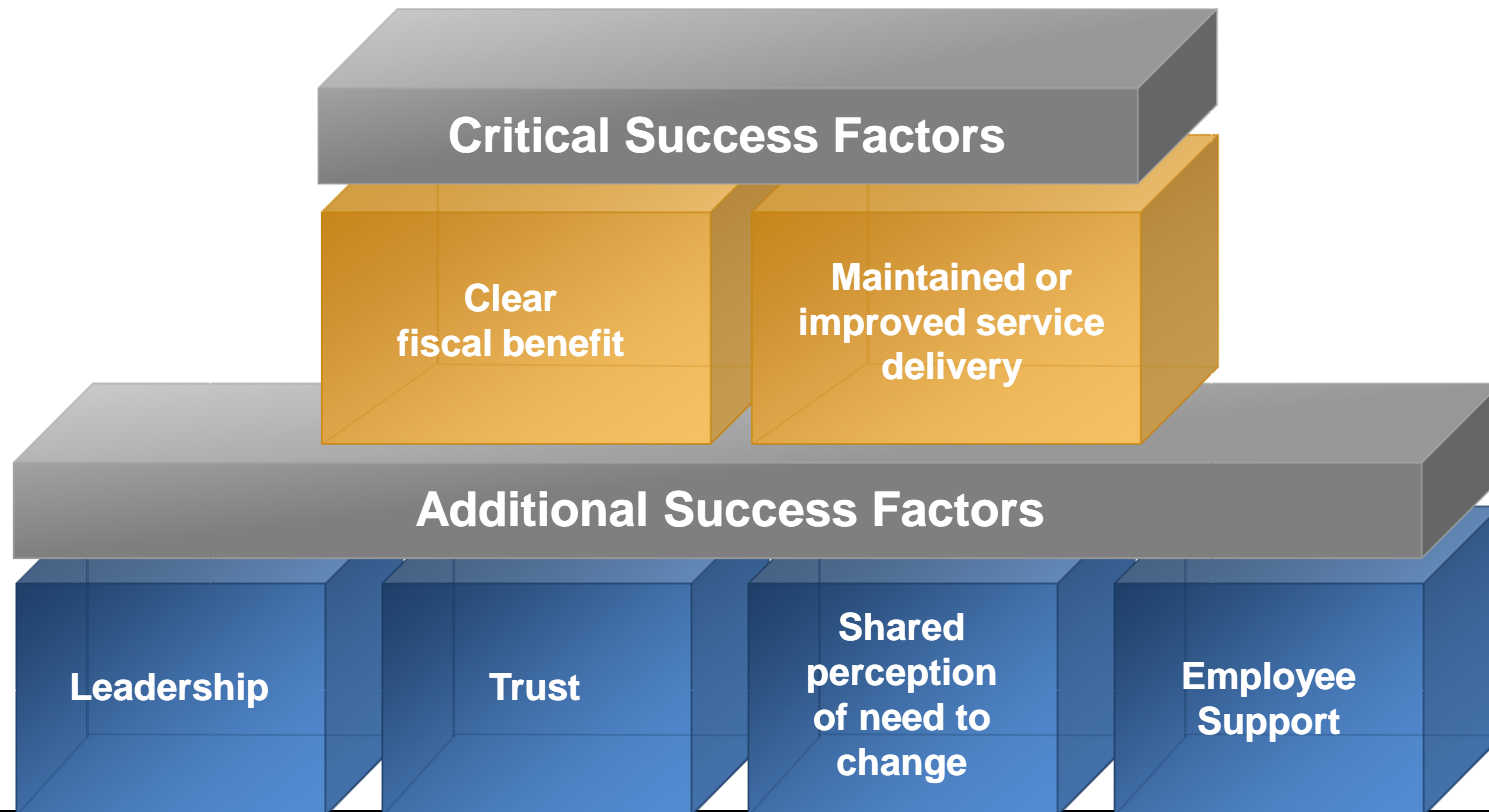
- Of those surveyed, almost 70% indicated successful outsourcing of some government functions
- Of those responding, 32% were considering outsourcing additional functions in the short term
- Of those responding, 11% have ceased previously outsourced arrangements

## Seriously Considering Outsourcing

March 2011 Survey of Local Governments (n=67)

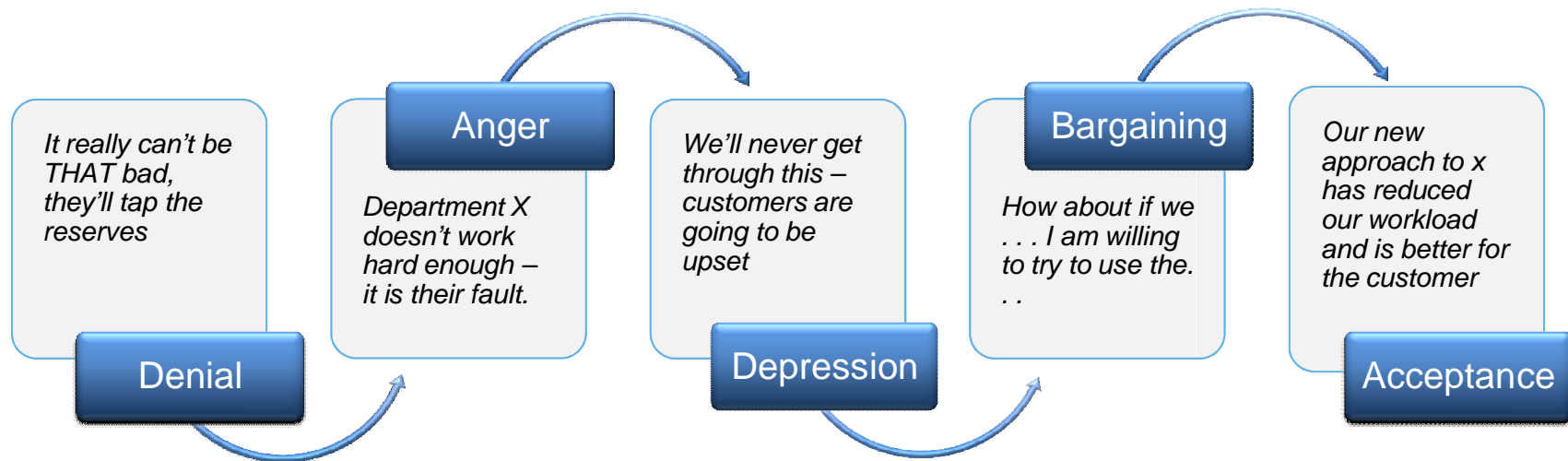


# Required factors for successful rightsizing



# Labor relations aspect of rightsizing

## Five stages of denial

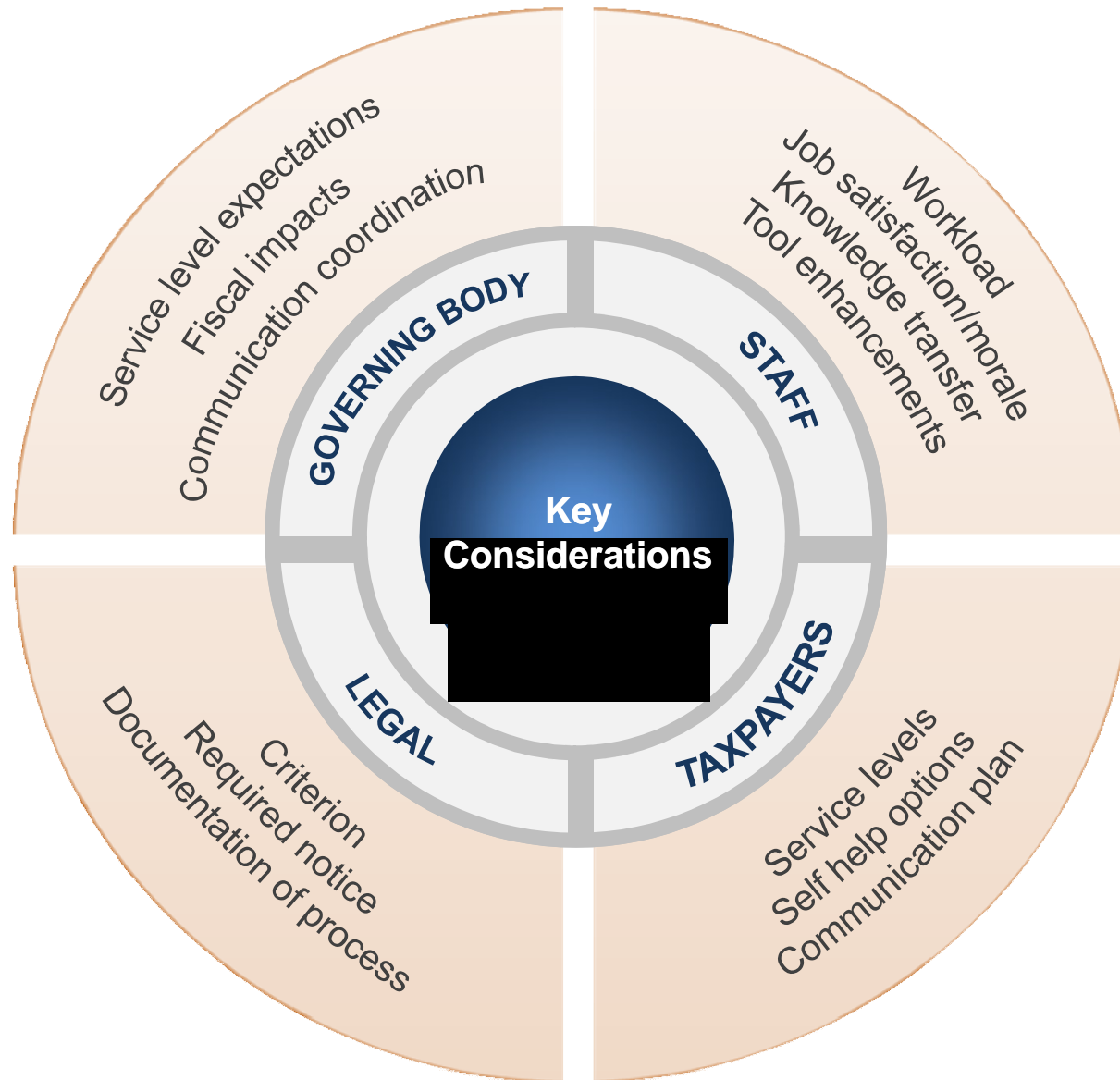


# Moving through the five stages

- Engage staff early and often
- Clearly articulate the realities
- Encourage and reward innovative and collaborative thinking and behavior
- Share the options being explored – offer staff the chance to be part of the solution
- Be sure that anything communicated is “Ready for Prime Time”
- Celebrate and empower

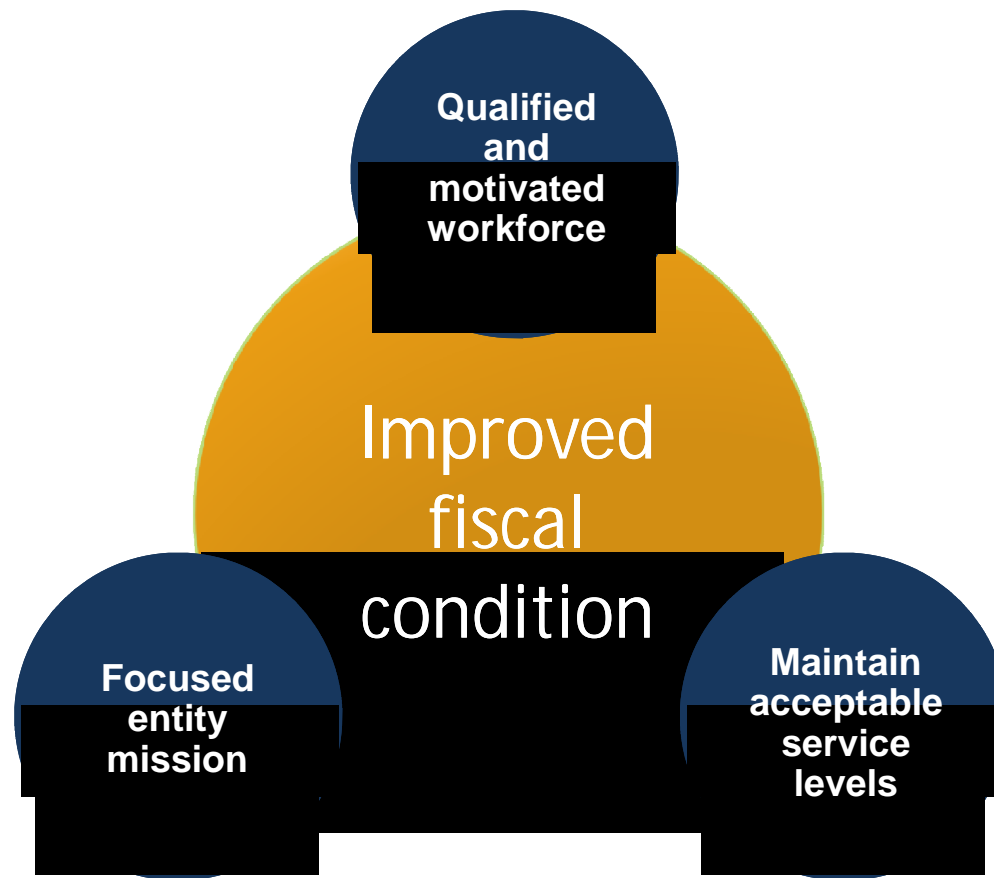


# Rightsizing – Key considerations



# Effective rightsizing equation

Right Sized Operations



# Mike Goodrich, Arlington County, Virginia

## ICMA Conference Presenter

- Arlington County – 16 years
  - Parks, Recreation and Cultural Resources
  - Police Department
  - Sheriff's Office
  - Economic Development

# Rightsizing in Arlington County, Virginia

- FY 2010 – Difficult Budget Year
- County Board Guidance
  - Protect core services
  - Continue investments in affordable housing/environmental sustainability
  - Ensure social services safety net

# Arlington County Decisions (FY10)

- General Fund Totals \$946.8 M, a 0.6% increase over FY 09
- \$19.8 M in reductions
  - \$12.1 M in managerial/administrative (61.1%)
  - \$7.7 M in direct service cuts (38.9%)
- Familiar story, right?

# Austerity Measures

- Positions left vacant for 9 months in preparation (100+ positions)
- 90 positions eliminated, 40 were filled
- 40 affected were given 3 months to:
  - Compete for internal only job announcements
  - Accept Severance Pay based on years of service
  - Leave Voluntarily

# How an Administrative Reduction Impacted the Organization

- 3 General Fund Positions Eliminated, 2 Administrative, 1 transferred to Tourism Promotion Fund
- Arlington Economic Development –

	FY 2009 Revised	FY 2010 Adopted	Change
Dollars	3,357,590	3,151,449	\$206,141/-9%
FTEs	21.0	18.0	-3.0/-14%

# Impacts on Arlington Economic Development

- Professionals re-assigned to share job responsibilities

	Employee A	Employee B
Core Functional Assignment	Fiscal Technician	Human Resources Technician
Operational Experience	Database/Information Technology	Executive Assistant/ Logistics
New Skills	Marketing/ Customer Service	Marketing/ Customer Relationship Management system



# Streamlined Operations

- Two staff moved half time from private suite to public reception area to provide marketing services to the business community
- Skill sets used to provide administrative support are similar for external support: customer service, communication, technical
- Support functions closer to operational functions

# Intangible Benefits

- Staff are more integrated into the service delivery of the organization
- Respect from co-workers for taking on additional work
- Marketable skills for future career opportunities

# CSI Alliance: Rightsizing – A Case Study from Sarasota County

Mary Sassi Furtado  
ICMA Conference Presenter

# About Sarasota County, FL

- Founded: 1921
- Total Area: 620 square miles
- County-wide Population: 389,320
- Unincorporated Population: 253,525
- FY10 Adopted Budget: \$1 billion (net operating = \$661M)
- Total # of full-time BCC employees: 2034
- Median age: 50
- Foundation of local economy:
  - Health & Social Services
  - Leisure & Hospitality
  - Real Estate / Construction

# Case Study Overview

- Understand the CSI Alliance approach to engaging employees in controversial issues & identification of solutions
- Find out how Sarasota County involves employees in designing and evaluating the right-sizing process
- Learn about Sarasota County's right-sizing process & resources made available to impacted staff

# Setting the Context...

- Unprecedented declines in property tax revenues accompanied by continuing service cost escalations – starting in FY07
- High local unemployment rooted in over-reliance on construction, real estate, tourism
- Forward-thinking County leadership driving a pro-active strategy for adaptive response
- Poor morale amongst staff

# What exactly IS the CSI Alliance?

- Challenges, Solutions, & Innovations
- Launched in 2009
- Cross-departmental network of 100 – 200 employees from all levels of the organization
- Formed for purpose of informing & engaging employees in holistic decision-making on issues emerging from fiscal challenges
- Built upon foundation of “learn before doing”
- Comprised of a series of initiatives with stated beginning and end dates

## ...and how does it work?

- Participants sign up for initiatives of interest
- Each initiative assigned 12 – 15 participants, 2 Executive sponsors, & subject-matter experts
- Clear, concise, measurable call to action communicated up-front
- Focus on enterprise-wide solutions that balance perspectives of multiple stakeholders: taxpayer, organization, employees, policy-makers, etc.



# Objectives of CSI Alliance: Rightsizing

- Create shared understanding of common right-sizing practices
- Examine pros / cons of right-sizing practices at Sarasota County
- Offer input on low-cost actions to minimize adverse impacts associated with right-sizing
- Explore communication methods to best support employees

# Scope of CSI Alliance: Rightsizing

- We will focus on:
  - Enterprise-wide rightsizing related practices
  - Support for impacted employees
  - Support for remaining employees
- We will not focus on:
  - Determining layoff criteria
  - Determining who is impacted in the future
  - Focus on pay, benefits, or workforce redesign efforts

# Call to Action

- Identify ways to reduce FTEs through alternative work practices by June 1<sup>st</sup>
  - Hiring Freeze / Vacancy Elimination
  - Job Sharing
  - Shift to Part-Time Work
  - Early Retirement Incentives
- Adapt / refine layoff process by July 1<sup>st</sup>
  - Communication
  - Support for impacted employees
  - Support for remaining employees

# Specific Results Achieved

- Broadened understanding of overall layoff process and drivers of layoff decisions
- Implementation of “early notification”
  - Allows impacted employees to transition work
  - Allows all employees to say goodbye
- Enhancements made to electronic layoff packet
- Remaining employees involved in conversation on workload redistribution / transition mgmt

## CSI Alliance - What has worked well?

- First-hand information from the horse's mouth
- Rumor control function woven into design
- Broadened the dialogue – participants speak up on behalf of those who are not willing
- Consistent demonstration of transparency & authenticity: doubted at first but validated over time

# Additional Information and Questions?

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