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Being *Politically Neutral* in a Partisan World

How best to **give voice to your values** | BY MARTHA PEREGO, ICMA-CM

MARTHA PEREGO, ICMA-CM, is director of member services and ethics director, ICMA, Washington, D.C. (mperego@icma.org).

In early 2020, when the Pew Research Institute reported findings from their annual survey of U.S. residents on the topic of public policy issues, the media reported on the top seven issues that divide our society: climate change, environmental protection, guns, military, immigration, education, and health care costs.

Fast forward to 2021. Following a year of dramatic upheaval, the latest survey results add race and equity to the list of public issues where there is significant disagreement.

This disagreement on both priority and policy falls along many lines, but none more so than that of political party. Simply stated, issues and causes are increasingly associated with one political party or another.

We live in a world where there is no shortage of divisive and intractable issues facing society. We are divided by polarized politics that hamper our ability to find common ground on the way forward. Even membership in issue-oriented organizations can generate tensions, raise eyebrows, and lead to difficult conversations. This polarization has created an uncivil atmosphere where it seems that we can no longer have open and frank conversations. We just head to our respective corners.

Most of these contentious issues that divide our society have a direct nexus to local governments and to the quality of life for residents. Managers charged with the responsibility to lead local governments and work with elected officials to develop sound public policy at the local level face many, if not all, of these contentious public issues.

For a profession that built its reputation on a foundation of political neutrality, this seems like an ethical quagmire. Our commitment to political neutrality was stated simply in the first ICMA Code of Ethics: "No city manager should take an active part in politics." In a nod to how complex it is to remain nonpartisan, the tenet evolved to encourage managers and all members working in local government to "refrain from all political activities which undermine public confidence in professional administrators."

If the issues, and the approach to addressing them, are associated with one political party or another, how can a professional in the course of their work advance these issues and remain true to the profession's commitment to political neutrality?

If the manager engages their staff to develop policy recommendations to the governing body on one of these politicized issues, aren't they subject to allegations by the public or elected officials that they are engaging in politics? Is the proper role of the manager and staff then to be silent and wait for the governing body to initiate all discussion about policy?

Can a professional even voice their opinion or advocate for an issue, even from a personal perspective, without violating the ICMA Code of Ethics? Can they give voice to the values they hold?

Defining Political Activity

Tenet 7, in describing the "political activities" that undermine public confidence in administrators, draws a clear distinction in the seven guidelines between what can be characterized as big "P" and small "p" political activity. Big "P" activity, which is prohibited, includes any conduct related to a candidate's campaign for any publicly elected office. Members working for a local government cannot endorse candidates, sign petitions, make financial contributions to candidate campaigns, or contribute to organizations that fund candidates.

Engaging in public issues, which can be regarded as small "p" political activity, is not prohibited. The guidelines acknowledge the role that members play in the presentation of issues related to the local government and allow members to advocate for public issues of personal interest.

Policy Development in Your Organization

Managers and their staff do have a legitimate, ethical, and necessary role to play in the development of sound public policy. This role is acknowledged in Tenet 5 of the ICMA Code of Ethics: "Submit policy proposals to elected officials; provide them with facts and advice on matters of policy as a basis for making decisions and setting community goals; and uphold and implement local government policies adopted by elected officials."

While an issue may seem to be political, engaging in the development of policy to address the issue is not. Members are not engaging in political activity when they work to propose policy to the governing body or react to policy proposals initiated by the governing body.

This position is reaffirmed in a guideline under Tenet 7 that acknowledges that "members may assist their governing body in the presentation of issues involved in referenda such as bond issues, annexations, and other matters that affect the government entity's operations and/or fiscal capacity."

To be successful in achieving the desired outcome, consideration needs to be given to where the elected officials stand on an issue, as well as where the community stands. Getting out front of the governing body on any policy matter is entering into risky and likely unsuccessful territory. They are, after all, the ultimate decision maker here. The best course of action is to work together to achieve alignment and agreement on a policy approach that is best for the community. As a seasoned manager once noted, sometimes you need to wait until your elected

TENET 7: LINE OF DEMARCATION

BIG "P" POLITICS: **CANDIDATES**

SMALL "p" POLITICS: **ISSUES**

officials get there. And sometimes acknowledge that the governing body and/or the community's position on an issue may never align with yours.

If you manage or work for a local government where there is alignment with your community, elected officials, and staff on how to advance improvements on any of these fronts, consider your good fortune, as temporary as it may be. Given the volatility of these issues, a single event can disrupt the path forward and any consensus that once existed may vanish. The divide at the national level unfortunately is reflected in the community served by professional managers.

Personal Advocacy

The Code of Ethics also acknowledges that members may voice their opinion on issues of the day. In 2013, after a long and robust discussion with members on the value of political neutrality to the profession, the ICMA Executive Board approved adding a guideline to make it clear that the Code does not require members to remain silent on issues that are outside the scope of their employment.

Personal Advocacy of Issues. Members share with their fellow citizens the right and responsibility to voice their opinion on public issues. Members may advocate for issues of personal interest only when doing so does not conflict with the performance of their official duties.

The guideline allows a member to:
- Publicly express his or her opinion on a public issue.
- Join an issue-oriented organization.
- Actively fundraise on behalf of an issue-oriented organization.
- Donate to a political action committee that is promoting an issue (but not a candidate).

Take the approach to focus on the merits of your position and refrain from calling out an elected official or party. That buffers the appearance that your engagement is political.

Consider your Role

As you contemplate your next steps, consider what impact voicing your opinion on an issue may have on your role as a convenor or facilitator on community issues, a neutral mediator to resolve disputes, and a source of objective and credible recommendations. How can you be part of our democracy while modeling the civility and nonpartisanship that is at the core of our profession? How do you give voice to your values to debate and effectuate change, yet respect your commitment to the values of the profession and your community? **PM**

Emerging from the COVID-19 Crisis *Stronger*

Reflecting on your **heroic actions** over the past year | **BY MARC OTT**

Last year at this time, we created a special COVID-19 section of *PM* magazine to address the very beginnings of what became a crisis of unprecedented magnitude. At that time, I wrote that as local government managers you are uniquely qualified to address the unexpected because you encounter it every day.

Your actions this past year have been nothing less than heroic. I said it then, and I repeat it now: we at ICMA have never been prouder of you and your commitment to local government and the residents of our communities.

I hope, in the midst of all you are doing, you have been able to take a moment for yourself, your family, and your team to reflect on this past year. Yes, it has been a year of horrific personal and community loss with over 2.7 million deaths and economic turmoil unlike any the world has seen. You have carried the double burden of facing the virus in both your personal and professional lives. Yet at every turn, you demonstrated the very definition of the word resilience.

> **While the crisis is not in our rearview mirror yet, this is a moment for optimism.**

This past year has demanded so much more from you than great administrative and management skills. You have had to step up and step into leadership roles in ways you never have before. Your response to the rapidly changing environment has been stunning and has fundamentally impacted the culture of your organizations. You have been innovating on a 24/7 basis to deal with, reimagine, and even improve the most basic functions of your local governments. You have had to offer reassurance and encouragement to your staff, and beyond that, you have had to give them and your community a sense of hope—that we will all emerge from this crisis stronger.

There is no doubt that the pandemic has changed all of us. We will never "go back" to the way things were because we are fundamentally different in so many ways. Here are some examples from our global community:

- You have adapted your organizations to be more nimble and able to rapidly respond to shifting circumstances in real time. Your teams are now working more cross-functionally and less hierarchically than ever before.
- Driven by the need to communicate with residents quickly and frequently, you have used digital technologies in new ways, like creating apps to gather input and send alerts.
- By pivoting to provide remote access to many local government services, you have empowered your residents to engage as many of them have never been able to before, and you are pledging to maintain that access.
- You have uncovered new ways to support local business, including making your downtown areas more accessible to pedestrians and cyclists.
- In the United States, the pandemic has shone a light on inequities in our institutions—health care, commerce, public safety. Many local governments are using this opportunity to engage their communities in effecting long-overdue transformations.

While the crisis is not in our rearview mirror yet, this is a moment for optimism. As you aggressively roll out the vaccine, the number of deaths and new infections continues to decline, and more relief at the national level is around the corner in many countries around the world. ICMA remains committed to continuing to work alongside you on the path to recovery. We will continue to capture best practices and your experiences (icma. org/coronavirus-crisis-response) to guide future local government leaders as they confront challenges ahead. And we will also continue to work with our state and local government partners on your behalf for the financial, legislative, and judicial support our communities need to fully recover. Never has your role been more important. We salute you and remain grateful for your service. **PM**

MARC OTT is executive director of ICMA, Washington, D.C.

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Emerging Leaders Recognized

ICMA honors recent recipients of
Judy L. Kelsey Scholarship | BY REBECCA DESANTIS

ICMA is pleased to award this year's Local Government Management Fellowship Judy L. Kelsey Scholarship to two current fellows.

Established in August 2019, this award is named in honor of Judy Lyn Kelsey, a pioneer in the local government management profession and long-time ICMA member, who generously gifted $108,941 to ICMA in the disbursement of her estate. With her gift, ICMA established the Local Government Management Fellowship Judy L. Kelsey Scholarship to assist emerging women leaders who have been accepted into the ICMA Local Government Management Fellowship (LGMF) program, which places a fellow in a manager's or department head's office in a council-manager community. This year's recipients of the award are Sydney Bannister and Risi Karim.

Sydney Bannister is currently serving as one of two Cookingham-Noll Fellows in Kansas City, Missouri, primarily working in the budget office on specialized budget office projects. She also coordinates and facilitates the Community Engagement University. Sydney is on track to finish her master of public administration degree from the University of Kansas in May 2021. Before joining the LGMF program, Sydney served as a management intern for the League of Kansas Municipalities, as well as a management intern for the Olathe City Clerk's Office. In her essay, Sydney shared, "I believe Judy Kelsey is a testament to the innate ability we as women possess to persevere and find a way through tough times." Sydney shows a clear dedication to the profession and is planning on using the scholarship to pay off student loans and pursue professional development opportunities.

> **"I believe Judy Kelsey is a testament to the innate ability we as women possess to persevere and find a way through tough times."**

Risi Karim is currently serving as a fellow in the city of Edina, Minnesota, where she has supported a number of COVID-19 related projects for the city, as well as serving as the project manager for reporting energy benchmarking data for city facilities. Before joining the LGMF program, Risi served as a management assistant for city of Topeka, Kansas. She is in the final semester of the master of public administration program at University of Kansas. Risi explained in her essay, "It is my hope that one day I will also be able to pay it forward and contribute to the legacy of the women in this profession that have come before me by mentoring another young woman in local government, while also setting a model example to draw more women of color to the profession." Risi is planning on using her scholarship to cover costs from moving to serve in her fellowship and continuing her studies.

The scholarship, totaling $5,000 for each individual, is awarded to recipients to augment their salary and defray personal expenses, including living expenses, student loan payments, or personal/professional development expenses.

Sydney and Risi were selected by the Judy Kelsey Scholarship Selection Subcommittee of the Local Government Management Fellowship Advisory Board, which is made up of LGMF alumni. The committee read and scored essays from eight applicants on four areas of criteria: demonstrated financial need, understanding of the award, demonstrated commitment to the local government profession, and a description of their intended use of the award.

Join us in congratulating our award recipients! **PM**

REBECCA DESANTIS is a program manager of career and equity advancement, ICMA (rdesantis@icma.org).

Tackling Your First ACAO Role

Advice for a **smooth transition** | BY JEFF WECKBACH AND KRISTEN GORHAM

Whether you're an internal or external hire, taking on your first assistant chief administrative officer (ACAO) role has many unique challenges that need to be embraced with a good attitude, flexibility, lots of humility, and perseverance. The following advice should help you tackle the transition into an ACAO role for the first time.

Relationship Building

People respect the person, not the title. The challenge of this phrase is for newly appointed ACAOs to find ways to build relationships to earn the respect of the team. As an outside hire in your first ACAO role, you are likely not going to know many of the stakeholders in your new organization. More importantly, these individuals will not know you, your skills, and how you can help

them. There are several stakeholders that you will need to get to know in order to have a successful transition: internal staff, your boss, elected officials, and the general public. To jumpstart the relationship-building process as an outsider, become an insider. While that may seem tautological, your goal should be to meet with as many individuals as possible as soon as possible. Schedule a ride-along with the public safety department prior to arrival. Walk through parks and speak with residents. Attend board or community group meetings. Don't be afraid to reach out to your soon-to-be direct reports and schedule a meeting with them over coffee and donuts in a group setting. The more conversations you are able to have, the more people will start to learn who you are and how you will help them.

JEFF WECKBACH is assistant township administrator, Colerain Township, Ohio.

KRISTEN GORHAM is assistant city manager, Chamblee, Georgia.

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Conversely, if you are tackling your first ACAO role as an internal hire, you may be fighting already-established opinions and preconceived notions of your knowledge, skills, and ability to do the job. When your coworkers become your employees and must view you as their manager rather than their peer, it can be difficult to establish new boundaries and gain buy-in for what you need them to accomplish. They may not immediately view you as a leader and it may take some time to establish your position and expectations to get the job done. This can be tricky as they may already know your blind spots and you do not have the benefit of being unknown. If a former peer now directly reports to you, you may have to create clear boundaries with them. Your level of professionalism and engagement with your coworkers may need to be examined.

Change Management

As a new ACAO, it is sometimes hard to shift your mindset from being a doer to a director. It is OK to give up some control over deliverables in order to accomplish large-scale organizational goals and policy objectives. To put it simply, you can't always be the "boots on the ground" person. While it may feel like a loss of control, you shouldn't overly involve yourself with things that your staff can handle independently. Your capacity as a manager and a leader will dwindle the more you involve yourself in the minutiae of operational tasks and deliverables. Your staff will feel as though you do not trust them to do their jobs, and you simply cannot provide good direction and oversight when you are too into-the-weeds on any given task.

The City Manager/CAO Relationship

One of the most important relationships you will need to foster is with your chief administrative officer (CAO). As with any relationship, trust and communication are critical. If you and the CAO are on the same page, then you will all be able to carry the same unified message throughout the organization. Be someone they can trust to be honest with them; have tough, candid conversations; and provide thoughtful and well-informed feedback. Make sure they know you are on their side and are working on their behalf. In doing so, you can help push boundaries on current practices and grow your organization to new heights.

Many seasoned assistants will tell you that "your job is to make the CAO look good." Advice like this can feel like we are being told to subscribe to group think or sing the praises of your CAO. In reality, you represent the CAO and are an extension of them. How you are perceived is how they may be perceived as well. Make sure you represent them appropriately and are not engaging in office gossip or behavior that does not represent the organization or CAO well. Part of our role is to challenge our CAO's thought process and to be a direct confidant for new ideas or recommendations. Your CAO will be looking at you to play the role of skeptic in order to identify potential pitfalls before they occur. Making the CAO "look good" is less about praise and more about ensuring that the programs, policies, and offerings of your organization advance strategic priorities that benefit the community.

Leadership/Management

Lastly, it is important to find your own management style. Whether you already have established relationships with employees and other members of leadership or are new to an organization and trying to gain the trust of your team, it may feel strange to make any substantial changes to how things should be done. When you're a first-time ACAO, it may feel as though you must adopt the management style of the CAO. However, your job is to balance the CAO's management style with your own in a way that accomplishes the goals of the organization. Don't be afraid to find what works best for you and your team. If you find a management strategy that is effective, it benefits the CAO, too. Learn to tailor your management style to the needs of your organization and remember that you have time to grow into the role and learn what works best. Approach your role with humility, flexibility, and perseverance, adapting as you go and allowing yourself to grow into the position over time. **PM**

> **Approach your role with humility, flexibility, and perseverance, adapting as you go and allowing yourself to grow into the position over time.**

Lessons from Childhood Lead to Good Leadership

A new look at a **simple rule** we all learned years ago

BY KATHY HODGSON

> I needed a new approach to be effective in today's reality, and I suddenly realized that the solution was right in front of my eyes all along—something we're taught as children.

KATHY HODGSON is city manager of Lakewood, Colorado.

These are challenging times for civic leadership. The role of the local government manager has evolved significantly as the world has changed. The nature of the work is different, creating a distinct demand for a new set of skills. Today's political environment is often more hostile and threatening. What used to be defined as a spirited public debate in the city council chambers, expressing strong opinions on an issue, has turned into a war of words, name calling, and a level of incivility that is offensive, shocking, and unprecedented. The belief that "if you aren't on my side, you are on the wrong side" permeates public discussions and personal interactions. As the nation becomes more and more polarized politically, the same dynamic trickles down to local government.

City employees are increasingly treated with a measure of distrust and disrespect by the elected officials that is both undeserved and unnecessary. This kind of criticism by elected officials toward staff seems to have given "license" to community members to do the same. In simply doing their jobs, city employees are now exposed to harsher criticism and ridicule that can include questioning whose side they are on. The organizational culture and the community will eventually suffer due to the erosion of trust and the feeling of hopelessness that is pervasive.

As a leader in this environment, it is imperative to navigate carefully to address the increased negativity from the community and the elected officials representing constituents. Accordingly, it is also critical to provide continued support and assurance to the hard-working employees who have dedicated their careers to the service of others.

The role of the leader used to resemble a daily race to the finish line: dealing with the incessant cascade of work, putting in endless hours, negotiating solutions, and resolving conflicts day after day. Mastering the frenetic pace became the definition of success and a source of pride.

But now, in this new era, the demands are different. The problems are transforming, and the solutions are less obvious. For leaders, the inherent frenzied pace of the work has been detrimental to truly recognizing the complexity of issues facing the organization in this divisive atmosphere.

Just when I thought I had finally reached top speed and efficiency at the job, it became clear to me that the organization needs something entirely different. Specifically, it needs leadership that is willing to openly acknowledge the difficult atmosphere and to work from a human perspective to address conflicts and identify potential solutions, while continuing to support productive operations.

I needed a new approach to be effective in today's reality, and I suddenly realized that my solution was right in front of my eyes all along. As children, we are taught that before we cross the street, we have to stop, look, and listen in order to walk safely to the other side. Stop, look, and listen. Those simple words have renewed meaning that can be applied now more than ever before in today's workplace.

Stop, look, and listen. Expressed in a different way: be still, be inquisitive, and be open-minded. It's a deliberate shift in the approach to leadership in the workplace. Rather than doing what we've always done and expecting different outcomes, as leaders we should take a new look at this old teaching.

Stop: Be Still

- Resist the urge to "plow through" your work for the sake of accomplishment.
- Take the moment to remove yourself mentally, get off the racetrack, and take a wide shot of the situation.

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- Don't surrender to the feeling of despair and instead take a deliberate pause. Growth and comfort do not coexist.
- Clear your head and let your thoughts dangle for a few moments.

Look: Be Inquisitive

- Seek to understand the real problem you are trying to solve.
- Question whether an issue has been misdiagnosed by your reliance on the normal patterns you are accustomed to.
- Discipline yourself to separate all emotional elements from the issue.
- Review what the motives are of the stakeholders involved.
- Think about the unsaid part of the conversation and why it is left unsaid.

Listen: Be Open-minded

- Remember that, yes, you're the boss, but you don't know everything.
- Listen to people who have opposite viewpoints from you, especially the most cynical.
- Consider the voices that are unrepresented.
- Turn the issue upside down and strive to see it differently.
- Understand the level of importance that others place on the issue.
- Drop the ego and seek to broaden your perspective.

Employing these practices can help local government leaders manage this new level of divisiveness and the complexities that organizations and communities now face. More importantly, they can assist leaders in establishing and building trust within and outside an organization. The best leaders know that everyone deserves to be treated with respect, everyone wants to feel important, and everyone needs to know their concerns are seen as relevant. When leaders stop, look, and listen, they create the foundations for forming relationships, a sense of belonging, and a feeling of being heard, which are all critical to moving beyond our divisions. **PM**

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Rethinking POLICE and PUBLIC SAFETY Budgeting

BY SHAYNE KAVANAGH
AND JENNIFER PARK

Seven new rules for police budgeting that differ from the traditional budget process

ocal governments need to rethink police budgeting. Calls to "defund the police" have gotten a lot of attention in the news and social media. However, surveys show that although there is widespread agreement that local governments need to take a fresh look at how policing is conducted, there is not widespread agreement that reducing police funding is necessarily the way forward. Nor is there any clear agreement on what the best way forward is.[1]

This means local governments will need a way to reach good decisions about police budgeting. However, the traditional local government budgeting system (i.e., take last year's budget and make changes around the margins) is not up to the task for several reasons. One of the most important is that the traditional approach is based on historical precedent. It tends to freeze past practices in place. It does not provide a way to thoughtfully reexamine what is working well and what isn't and then make changes accordingly.

A budget process must be guided by rules for how decisions will be made and how those decisions will translate into action. The purpose of this article is to explore seven new rules for police budgeting that differ from the traditional budget process's written and unwritten rules. City managers can use these rules to guide a conversation with their budget officer about how the budget process can be redesigned to better suit the questions that local governments now face. These rules come from a report produced by the Government Finance Officers Association and Results for America, "Time for Change: A Practical Approach to Rethinking Police Budgeting," (gfoa.org/materials/time-for-change). This report also discusses other aspects of making good decisions on police budgeting, such as engaging the public, building trust between participants in the budgeting process, and formulating a long-term vision and goals for police and public safety.

Rule #1 Historical precedent should not determine future spending. Instead, focus on how to cost-effectively achieve community goals.

Traditionally, last year's budget is the basis for next year's budget. Over the years, patterns of spending build up and may no longer be relevant to the community's needs or may no longer be affordable. The new rule is to direct spending to programs that achieve the community's public safety goals at an affordable cost.

It will be easier to follow this rule if there is a long-term vision and plan for public safety. The long-term vision defines the public safety goals. The budget directs money to activities that achieve these goals. New approaches to public safety will take time to plan and implement. Making the connection between a long-term vision and the budget allows for deliberate and steady progress.

Conversation Starter: *Is your government willing to give up historical precedent as the primary determinant of future spending? Are you willing and able to direct spending to programs that best achieve the community's public safety goals at an affordable cost?*

Rule #2 Departments and divisions are not the best decision unit for budgeting. Instead, more granularity is needed.

Bureaucratic units, like departments or divisions, are useful for day-to-day management, but have limitations as the unit of analysis for budgeting. One limitation is that they are too large and encompass too many activities to make thoughtful decisions about how to reallocate resources.

The new rule is to disaggregate spending and use granular decision units for budgeting. Many cities have done this with program budgeting. Figure 1 provides a list of common programs in police departments across 80 U.S. cities, ranging in size from 11,000 people to 727,000 people (average 108,000). The table shows the typical portion of the police budget taken up by the largest programs.[2] A program inventory is a foundation for budgeting methods, like priority-driven budgeting,[3] that invites stakeholders to consider which programs will best achieve the community's vision.

Some programs may need to be disaggregated further. For instance, in Figure 1, we see that "patrol" is almost 40 percent of a police department's budget. Understanding how patrol officers spend their time and the results they produce is critical to figuring out how to better use police resources. Unfortunately, there is not yet a common method for further disaggregating general police patrol into discrete units for budgeting. That does not mean progress can't be made, though. The city of Phoenix, for example, commissioned a detailed study of police operations several years ago and used the results to guide subsequent budget decisions. Although the city has not disaggregated the police patrol program, it does have enough information about how police use their time to make better decisions on how to allocate resources.

Conversation Starter: *Are you willing/able to disaggregate spending beyond departments and divisions and identify more meaningful units of analysis than objects of expenditure (salaries, benefits, etc.)? Can you disaggregate enough to make meaningful decisions on how and where to allocate scarce resources between competing ideas for how to reach public safety goals? How can you get a better idea of how resources are used in the patrol function?*

Figure 1. Average Portion of Budget Taken by Larger Programs in Police Budgets in 80 U.S. Cities

39.7%	Patrol
11.3%	Investigations
10.6%	Administration
9.4%	Dispatch
6.1%	Community-oriented policing, outreach
2.4%	Drugs, narcotics
2.0%	Special weapons (SWAT)
2.0%	Evidence, crime lab
1.9%	Training
1.8%	Records
1.8%	School resource officers
0.9%	Internal affairs
0.9%	Canine unit
90.8%	Total

Note that jails are excluded because many cities do not operate their own jails. The remaining budget is composed of smaller programs such as hazardous material response, bomb squads, gang units, etc.

Rule #3 Think outside of department silos and look for multidisciplinary solutions.

Another limitation of using bureaucratic units for budgeting is that it tends to reinforce thinking about local government in terms of units. For example, "public safety" becomes synonymous with "police." Traditional policing plays an important role in public safety, but not the only role. Police officers are underprepared to respond to social problems, such as mental illness, homelessness, and even civil unrest.

The new rule for budgeting is to use the budget as a forum to bring other perspectives to the issues that make up public safety. In the traditional budget process, departments make their budget decisions in isolation from one another, and therefore, view problems through the lens of their functional specialization. A cross-departmental team can help people better appreciate what each department does and see the need for looking beyond departmental boundaries when considering the budget.

Cross-functional teams are not just useful for saving money, but also for build stronger working relationships to address multifaceted problems. For example, in a mid-sized city, the police chief began "neighborhood walks," where representatives from police, code enforcement, planning, recreation, and others would walk through neighborhoods with community leaders. Together, they would identify the problems most important to the neighborhood, develop a response plan, and then report back to the neighborhood. This cross-departmental approach not only demonstrates a collective response to problem-solving, but also incorporates the community, ultimately building or rebuilding trust with residents.

Conversation Starter: *How will you break out of department silos? Is there a role for cross-functional teams in making decisions?*

Rule #4 Give prevention a chance.

Local government budgets often prioritize remedial services over preventative services. However, preventative approaches have proven more cost-effective and more humane. The new rule is to give preventive services a chance.

For example, homeless individuals are often arrested or issued citations, despite the fact that it's not an effective response to homelessness. The value of preventive services is apparent for major crimes. The total financial cost to society of major crimes, such as property and violent crimes, can reach tens of thousands of dollars to millions. The human cost of these crimes is invaluable.

There are many ways to start to adopt a preventative budget. For example, the traditional budget often uses "workload" or "input" measures to describe the value created by public services, such as the number of calls responded to, the number of citations issued. To the extent that resource allocations are tied to these kinds of measures, remedial services will continue to get priority over

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> A budget process must be guided by rules for how decisions will be made and how those decisions will translate into action.

preventative services. Alternatively, identifying measures that lead to better community outcomes might help local government leaders think about how to prevent the problems that make the community worse off.[4]

Conversation Starter: *How can you give preventative strategies a fair chance to succeed in the budget process?*

Rule #5 Identify what works.

Funding what works may seem simple; however, when allocating resources to "public safety," local governments continue to fund programs that do not achieve desired goals and outcomes. Incorporating data and evidence into the budget process can help local government identify what is working well and what isn't, ultimately helping leaders make funding allocations accordingly. Local governments can start by asking departments to identify how the funding they request achieves the public safety vision and goals, and then require data analysis and/or evaluation results to show evidence of progress towards these goals.

When data analysis and evaluation results are integrated into the budget process, senior leaders are equipped with the information they need to ask the right questions as they make decisions about funding allocation. Data is also valuable in maintaining lines of communication and engagement with the community on why some programs are funded and others are not.

Conversation Starter: *How does your budget process consider evidence of what programs work?*

Rule #6 Look for smart, strategic ways to save money.

Saving money in the public safety budget is important for two reasons: First, many local governments have less money to spend now, period. Second, many public safety reforms require spending *more* money. The money can come from reallocating funds from things local government can stop doing or start doing differently.

The traditional maneuvers for saving money include across-the-board cuts to services or cutting "nonessential" line items, like training. However, both strategies are arbitrary and "dumb down" all services,

regardless of their value. For example, reducing training could result in officers committing more mistakes, leading to litigation, and, ultimately, increasing costs. The new rule is to look for smart, strategic ways to save money.

The other rules we outlined set a government up to find smarter ways to save money. You can see many of the rules reflected in these examples of money-saving opportunities.

Centralize support services: Efficiencies could be realized by centralizing maintenance of vehicles, information technology, or other support services that police run separately from the rest of government.

Wider use of non-sworn staff: Sworn officers may perform tasks that could be performed by lower-cost, non-sworn staff, like parking enforcement.

Share services with overlapping or contiguous agencies: Services like animal control, city jails, and warrant delivery have the potential to be shared with other agencies, like a county sheriff.

Prevent rather than remediate: Prevention is often cheaper. For example, cycling homeless people through the justice system is more expensive than helping them get housed.[5] The financial impact on society of major property and violent crimes is substantial.[6]

Divest of low-value services: The classic example of this is the mounted police.[7] A more contemporary example might be school resource officers. Research suggests that school resource officers are often not effective for many of the roles they are asked to take on and can have detrimental effects on students.[8]

Review special units: For decades, the common response to a specific public safety problem (prostitution, crack cocaine, opioids, gangs, gun violence, and others) has been to create a special unit. Departments may find that they have as many as a dozen special units. These units may be inefficient because they fragment the response to multifaceted and complex problems. One police department was able to redirect resources to preventive patrol and community policing by combining multiple special units and cross-training officers.

Remove the barriers to doing the right thing: Departments in municipal governments, not just police, have been known to do things like spend out remaining budgets at the end of the year or pad the budgets. These "budget games" are often rational responses to the rules of budgeting. A change in the rules can change the incentives to engage in these kinds of behaviors for all departments, including law enforcement.[9]

Conversation Starter: *Which of the opportunities mentioned have potential for your government? Are there other ideas you can think of?*

Rule #7 Don't budget "either/or," "budget both/and."

Oftentimes, a budget is framed as a competition between two competing views and only one can win. In one police department, there was a division of opinion between focusing on law enforcement versus community engagement. Fortunately, this department realized that it didn't have to choose; it could find a way to do both.[10] Hence, the new rule is to evaluate spending decisions in a way that encourages a balanced portfolio of public safety services. A balanced portfolio will usually be the best way to meet the local government's goals in a cost-effective manner.

Conversation Starter: *Does your budget process fund a portfolio of approaches for reaching public safety goals rather than putting all your eggs in one basket?*

Conclusion

The seven rules for budgeting we described here can guide a local government budgeting process that:

- Achieves cost-effective reform of public safety.
- Prudently uses limited resources.
- Gives all stakeholders (the public, police, etc.) a voice in the process, especially when connected to the other pillars of financial foundations.

We are in an unprecedented moment of financial distress that calls for serious and important reforms to the largest area of municipal spending. There are no "ready-made" budgeting methods that incorporate all seven rules. However, city managers and their budget officers can borrow techniques from budgeting methods like priority-driven budgeting[11] and zero-base budgeting[12] to design a process that uses the seven rules to get their local government to where it needs to go. **PM**

ENDNOTES AND RESOURCES

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[4] Dan Health, *Upstream: The Quest to Solve Problems Before They Happen,* Avid Reader Press, 2020.

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[6] Paul Heaton, "Hidden in Plain Sight: What Cost-of-Crime Research Can Tell Us About Investing in Police," Rand Corporation, 2010.

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[8] Alexis Stern and Anthony Petrosino, "What Do We Know About the Effects of School-Based Law Enforcement on School Safety?" WestEd Justice and Prevention Research Center, 2018.

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[10] http://theilluminationproject.org/our-approaches/

[11] https://www.gfoa.org/materials/anatomy-of-a-priority-driven-budget-process

[12] https://www.gfoa.org/materials/zero-base-budgeting

SHAYNE KAVANAGH is the senior manager of research for GFOA and has been a leader in developing the practice and technique of long-term financial planning and policies for local government.

JENNIFER PARK is the founding director of What Works Cities (WWC) Certification, the first-ever national standard of excellence for well-managed, data-driven local government that helps cities benchmark their progress and develop a roadmap for using data to drive effective change and deliver results for residents.

Inventorying
CAPITAL
ASSETS

BY KEVIN HARPER

A well-planned physical observation of capital assets will avoid "sticky wickets" in the future

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apital assets are defined as all tangible and intangible assets used in operations that have useful lives greater than one year. They get no respect, even though they are usually the largest asset on a government's statement of net position. But government accountants and auditors have not historically given a proportionate level of attention to the accounting and internal controls related to capital assets. This is mostly due to two reasons.

First, infrastructure is by far the largest category of government capital assets. Infrastructure has frequently not been viewed as an asset by governments because it is not usually able to be sold. In fact, infrastructure has sometimes been viewed as a liability because of the requirement for governments to use future resources to maintain. I have been involved in negotiations between governments that have shared construction costs in the building of a new asset. Each argued against taking the asset onto their books, so they didn't have to take responsibility for maintenance and ultimate replacement.

Second, prior to *Governmental Accounting Standards Board Statement No. 34,* governmental capital assets were recorded in a "general fixed assets account group," but not in any consolidated or fund financial statement. Infrastructure assets weren't recorded at all. Auditors did not place much attention on capital assets during annual audits because they determined that even huge variations in the amount of assets recorded in this account group would not greatly impact users' judgment about the financial position of the government.

Because accountants and auditors did not put substantial effort into tracking capital assets, physical inventories of capital assets were seldom done. However, in recent years, now that capital assets are recorded in the entity-wide financial statements, government accountants and auditors have been giving capital assets more attention. For example, auditors are delivering audit findings such as:

- There is no formal effort to cleanse the database of out-of-service assets.
- Written policies and procedures for capital assets are inadequate.
- There is no comprehensive plan to perform a physical inventory of capital assets.

Preparing to Inventory Capital Assets

The Government Finance Officers Association (GFOA) recommends that governments inventory their tangible capital assets, at least on a test basis, no less than every five years. A practical interpretation of this recommendation is to observe moveable equipment every five years and other assets (land, buildings, infrastructure, non-moveable equipment) once every 10 to 20 years. It is better to observe a portion of your capital assets each year on a rotational basis than to do them all at once every few years because it allows you to (a) test the adequacy of your internal controls each year and (b) build observation work into annual workloads so that you don't need to engage consultants.

Following is a typical process for conducting physical observation of capital assets. I'll discuss each step of this process in more detail.

1. Prepare list of assets	6. Physical inventory observation plan	7. Observe assets
2. Determine objectives	5. Written policy and procedures	8. Reconcile assests to accounting record
3. Clean up accounting records	4. Communicating with departments	
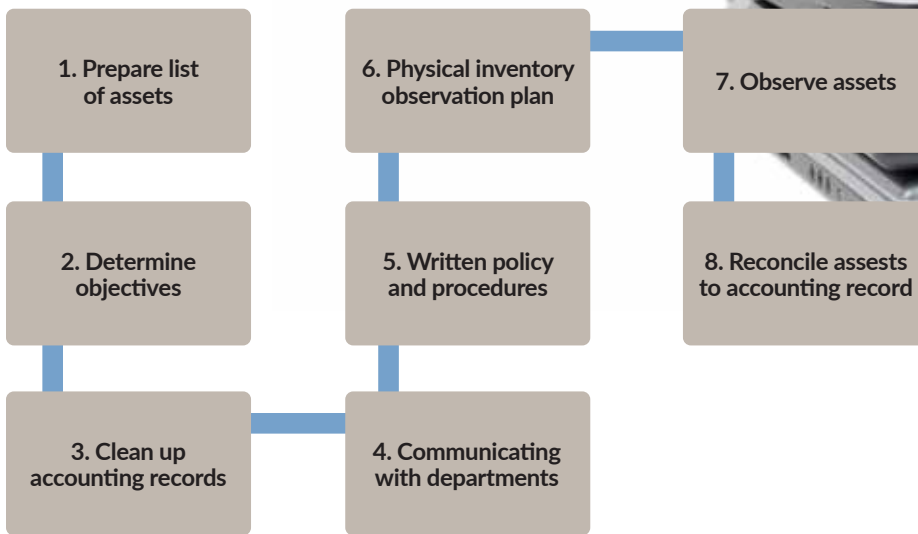
1. Prepare a List of Assets

First, prepare a list of capital assets by type of asset. Following is an example of such a list:

	Number of Assets	Gross Book Value (thousands)
Land	60	$3,000
Land improvements	94	56,000
Buildings and improvements	915	2,696,000
Infrastructure	760	810,000
Equipment and furniture	3,381	131,000
Works of art	38	9,000
Intangible assets	113	18,000
TOTAL	**5,361**	**$3,723,000**

This list will help you decide the amount of effort that will be required to observe the assets. Some types of assets are easier to observe than others. For example:

- Equipment is usually a large number of small items.
- Buildings are usually large dollar assets that are easy to observe.
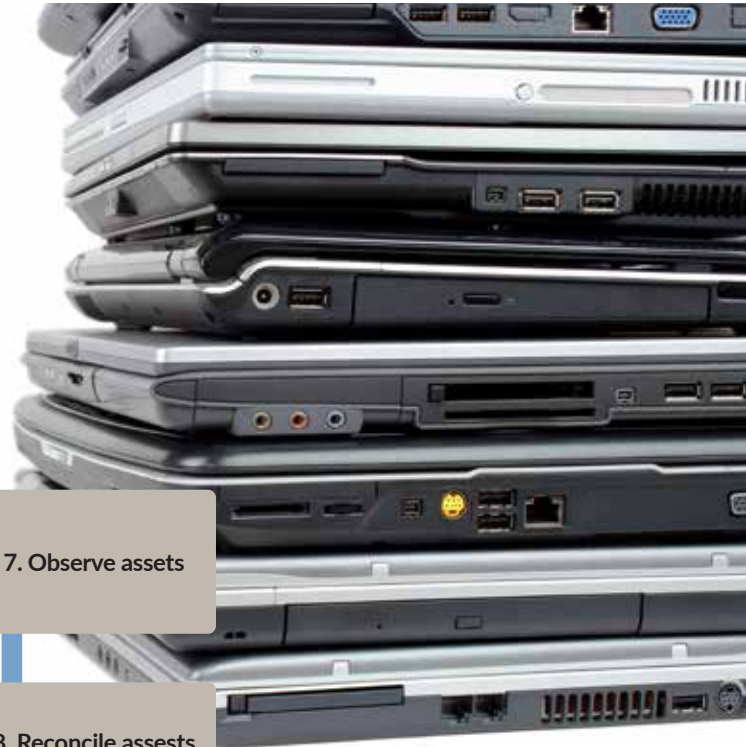
- Land is usually held so long that it is on the books at small book value.

Second, you should prepare a list of assets by department or location. Following is an example of a list of capital assets sorted by department:

	Number of Assets	Gross Book Value (thousands)
Police	200	$2,500
Fire	100	1,500
Public Works	300	2,000
Planning	20	40
Parks & Recreation	100	1,000
Information Technology	1000	5,000
Administration	20	40
TOTAL	**1,740**	**$12,080**

This list can be used to help determine the amount of time each department will need to devote to the observation. In estimating observation effort, consider which departments have historically had difficulty effectively managing their capital assets. Some departments will have a better grip on the location their assets and have reconciled to the accounting records more carefully.

Third, "slice and dice" the capital asset data to identify assets that may need special attention during the observations; for example, (a) assets that have zero book value, (b) assets that have gross book value less than the current capitalization thresholds, and (c) assets acquired in the current fiscal year.

2. Determine Objectives

Before you can inventory fixed assets, you must decide what you will be trying to accomplish during the visits of the various departments and locations. You will, of course, be verifying that recorded assets actually exist, but consider whether you will do the following:

- Identify unrecorded assets.
- Gather non-financial information (e.g., location, asset description, serial number).
- Assess asset condition.
- Affix asset identification tags.
- Take photographs of assets.
- What documentation will be required.

Every objective that you take on increases the amount of time, effort, and cost that it takes to conduct the physical observations, so only important objectives should be undertaken.

Note that physical observations are not an efficient way to test for understatement of recorded capital assets. When assets are found that are not listed in the accounting records, it is hard to know whether the asset has been recorded in a different department or as a part of a larger asset. Also, capitalized assets do not normally cause financial statements to be misleading because understating assets and net position is more conservative. Accordingly, many governments do not attempt to identify unrecorded assets during the physical observations; rather they focus solely on making sure all recorded assets are still on-site. A practical middle-ground approach is to make a list of any very large assets noted during the observation that are not listed separately on the asset list. These assets can be researched later for whether they have been properly capitalized.

It is important to decide up front what types of assets will be tagged. This is discussed more fully below.

3. Clean Up Accounting Records

Capital asset records are frequently inconsistent because, over the decades, different people recorded assets in different ways at different levels of detail, based on different policies. For example, 100 desktop computers bought for $80,000 might be capitalized as 100 lines, one line, or not capitalized because each computer is under the capitalization threshold.

To make capital asset observations as easy as possible, you should remove assets that are not properly capitalized or not necessary. Specifically, remove:

- Studies for assets that were not constructed or that are not identified to a specific asset.
- Repairs and maintenance projects.
- Temporary assets that have been demolished.
- Assets under capitalization thresholds, including any negative amounts, unless they can be reallocated to other capital assets.
- Fully depreciated intangibles (capitalized interest, easements).

After the records have been scrubbed, identify capital asset line items that are components of larger assets. For example, if a building is recorded as 10 different line items, combine them so that you can observe them together.

4. Communicating with Departments

Department staff will play a key role in the observations. They need to identify the location of each asset to the observer; complete paperwork for fixed asset additions, disposal or transfers; update department records; and provide various information about assets. Accordingly, it is important to communicate effectively with them throughout the project. Such communication should include:

- Informing senior department management about the need for the project and its expected scope and timing.
- A kickoff meeting to:
  - Introduce personnel involved.
  - Discuss anticipated problems (e.g., hard to observe assets, disposals, unknown assets, etc.) The list of assets should be sent in advance so the department can prepare for this discussion.

- o Describe the process, including anticipated tasks and timing.
- o Agree on observation dates.
- o Discuss non-capitalized assets.

5. Written Policies and Procedures

If you don't already have written procedures related to capital asset observations, now is the time to develop them. Written procedures help get all employees who are involved in the observations on the same page, knowing their role in the overall process. The written procedures are generally part of the government's overall capital assets policy and procedures. These procedures should include, at a minimum, the following:

- Responsibilities—accounting versus other departments.
- Non-cap assets—whether/how to track assets with gross book value less than capitalization thresholds.
- Asset tagging—which assets are to be tagged, when, and by whom.
- Inventorying—role of annual departmental self-confirmations, frequency and timing of physical inventories, rotation plan.

A sample of written capital asset observation and tagging procedures is available for you to review and tailor to your circumstances at kevinharpercpa.com/resources.html.

6. Physical Inventory Observation Plan

As you plan the physical observations, you will need to develop an observation plan and approach. This plan should consider the following:

Scope: What assets will be observed? Will land, intangibles, and assets below capitalization thresholds be included?

Coverage: Will you observe all fixed assets or a portion based on a rolling multi-year plan or a certain percentage of high value assets to prove the financial statements are not materially misstated? If you haven't observed capital assets in a number of years, it is recommended that 100 percent of assets be observed. In subsequent years, you should observe a portion of the assets on a rotational basis. A rotation plan template is available for download at kevinharpercpa.com/resources.html. This template allows you to document:

- Number of assets by type (helps to estimate number of hours needed to observe and reconcile assets).
- Location of assets (helps to determine sequence of observations).
- Dollar value of assets (helps to determine priority of observations).
- Estimate of the number of hours needed to observe and reconcile assets.

Sequence: In what sequence will you conduct the observations? Locations physically close should be observed together. Departments managed by the same person should be observed together. It is recommended to prioritize (a) departments and locations with high dollar value assets, (b) significant assets that are susceptible to theft, and (c) departments with a history of having difficulty effectively managing their capital assets.

Annual self-confirmation: Will you ask departments to self-confirm their fixed assets at the end of the fiscal year? How much reliance will you place on this self-confirmation (i.e., will it impact how often you conduct a physical observation)? Will you test its accuracy?

You should design the count sheet to be used during the observations to document the information collected and the changes needed to be made to the accounting records. Following is a sample count sheet.

Divison: _____ Contact Email and Phone No: _____
Date(s) of Physical Inventory: _____ Observer(s): _____
Division Contact Person: _____

	PER ACCOUNTING RECORDS						OBSERVATION RESULTS				TO DO ITEMS
Count	Asset ID No.	Asset Tag No.	Asset Description	Parent ID No.	Date Capitalized	Gross Book Value	Asset Observed?	Asset Tag No.	Comments	Disposal Justification	Adjustments to G/L
1	11131		BUILDING		8/25/2016	1,000,000	Yes	NA - Building	4 photos	NA	
2	9084		COMPUTER SYSTEM		3/1/2011	200,000	Yes	NA - Software		NA	
3	10726		2018 Ford Explorer		9/1/2014	30,000	Yes	None		NA	Issue asset tag
					TOTAL	$1,230,000					

New Assets (>$5,000 estimated cost):

Count	Asset ID No.	Asset Tag No.	Asset Description	Parent ID No.	Date Capitalized	Gross Book Value	Asset Observed?	Asset Tag No.	Comments	Disposal Justification	Adjustments to G/L
1		681	2014 Ford Explorer		~6/2013	~$25,000	Yes	681		NA	Add to asset list

This count sheet allows documentation of:
- Information about the observation—people, dates, department.
- Information to identify each asset—from the accounting records.
- Information collected by observer during the observation.
- Needed changes to accounting records (e.g., write offs, change asset ID number, change/add tag number, parent ID number, location).
- Unrecorded assets found during the observations.

7. Observe Assets
Following are a few ideas and best practices to consider when conducting physical inventory of capital assets:

Buildings and Improvements
These typically represent a small number of high dollar-value assets. They are typically easy to observe because they don't move, are above ground, and are long lived. The only challenges usually are: (a) to identify all the line items in the capital asset records that relate to a building so that they can be observed together, and (b) to determine whether you will observe each component of the building. In other words, will you consider all components of the building observed when you see a building that is being utilized? You may be able to observe buildings via review of aerial photographs.

Infrastructure
Infrastructure is usually composed of major asset systems such as a power distribution system, sewer system, wastewater system, and roads. These systems are hard to observe because they are underground and/or spread over many miles. Therefore, the strategy for observing these assets should be:
- **Group assets:** Similar to Buildings and Improvements above, you should combine line items in the capital asset records that are components of the same asset. For example, identify all line items that together make up the entire power distribution system. Then decide what level of observation may be adequate to consider the asset "observed." For example, if you turn the light switch on in the various buildings, is that adequate evidence of a working power distribution system or will you put on a hard hat and go underground to observe various components?
- **Geographic Information System (GIS):** If your government uses a GIS, many components of infrastructure will be maintained in that system. Determine whether the system is accurate and up to date enough to rely upon. If so, you may be able to trace assets to the GIS and consider them "observed."
- **Engineering involvement:** It is probable that you will need to rely heavily on a knowledgeable person in public works or engineering to identify infrastructure assets. You may find lots of line items with descriptions like "general construction progress payment #1" or "earth rock fill and grading." The public works director or engineer may recollect details of those projects and help you identify the asset to be observed; or they may describe why the asset no longer exists and should be written off. In some cases, you may need to simply take their word that the asset still exists.

Be creative on ways to prove existence of assets. Remember that a capital assets physical inventory is not "observation" so much as "proof of existence".

Equipment
Equipment is usually a very large number of very small dollar value assets. Therefore, depending on the scope of your observation project, you will likely spend a large amount of your time and effort observing equipment. Most equipment assets are easy to observe. My experience is that about 90 percent of these assets are easily identified by department staff. The other 10 percent of the time, the department disposed of the asset or otherwise can't find it, or they can't identify it from the asset description, or the asset they point out does not match the information in the accounting records. Obviously, you will need to track down these unusual items. However, don't get bogged down in details since the dollar impact won't be large.

I have seen observers spend inordinate time during the observations chasing discrepancies such as which department "owns" the asset, the asset's gross book value, the asset description, reconciling capital asset records to department records, or linking an asset to its parent asset. When these issues come up, I suggest you note them in the count sheet for follow up after the observation is over. It is important to get the observations done expeditiously. Analyzing which items are worthy of follow up is better done when all the discrepancies can be looked at as a group.

Vehicles can be hard to observe because they are usually in use at various locations. Consider using maintenance agreements to "observe" the vehicles. For example, evidence that a vehicle was maintained in the past year is evidence of its existence.

IT assets can be particularly challenging because there is often a large number of them spread throughout the government, and many are identical except for serial numbers. Frequently, the IT department tracks IT assets, and if so, you may be able to rely on their list of IT assets. Just be sure their list of assets is accurate and up-to-date. You may want to trace a few IT assets to their list to confirm its accuracy. If your government owns software that can "ping" all network-connected devices, you will be able to quickly observe most IT hardware. If the IT department has no list and does not have pinging software, you may want to consider engaging temporary staff to help inventory IT assets the first time.

Land
Land is usually composed of a few assets that are very valuable. However, they usually were acquired long ago and therefore carried on the books at small book value. Land can best be "observed" by tracing to ownership records in the county assessor's office.

Intangible Assets
Intangible assets cannot be physically observed. You can usually verify the existence and ownership of easements by tracing to contracts and agreements. Software can be observed by reviewing maintenance agreements and invoices and by asking staff to show you a few working screens in the software.

8. Reconcile Assets to Accounting Records

Following are some of the common challenges (aka "sticky wickets") that you will likely come across during the observations and the subsequent reconciliation of the results to the accounting records. I also provide suggestions about how to address each of the sticky wickets.

Unlocated Assets

The most common sticky wicket is when an asset listed in the accounting records cannot be found by departmental personnel. This happens when:

- The asset was disposed but the accounting department was not notified to remove it from the accounting records.
- The asset description is not clear enough to allow departmental personnel to identify.
- The asset was moved to another location or transferred to another department.

When this happens, you will need to gather further information to allow you to decide how to adjust the accounting records. Specifically, ask:

- Was the asset sold, transferred, traded, or trashed?
- When and why was the asset disposed?
- Does this situation represent a control breakdown? In other words, is this an isolated event or does it indicate there are other similar problems?
- If the asset was disposed, was there a replacement asset and was it properly capitalized?

Sometimes, when you ask these questions, department personnel cannot answer them. What then? How much time and effort should you put in with further research. It depends on:

- Dollar value: If the net book value is low, there is less need to follow up.
- Isolated event: If there is not a control weakness, there is less need to follow up.
- Age: If the asset has not been seen for many years, it is less likely that further research will be fruitful.

In these cases, you will just need to write the asset off. If you can't find it, you can't leave it capitalized in the accounting records. A sample Fixed Asset Disposal Form to use to document approvals for accounting to write off an unlocated asset can be downloaded at kevinharpercpa.com/resources.html.

Unrecorded Assets

You will undoubtedly find assets that are not listed in the accounting records. When this happens, you will need to gather information to know whether/how to record these assets. Ask:

- When was the asset acquired?
- Why was it not capitalized? Is it indicative of a control breakdown?
- Is this a replacement asset for a disposed asset? If so, was the disposed asset written off?

It may be difficult to determine whether an unrecorded asset is in fact not capitalized because:

- It might be capitalized as part of a project or group of assets.
- Many similar assets purchased at once may be capitalized as a single line item.
- It can be difficult to tell what assets are included in line items like "general construction."

A sample Fixed Asset Addition Form that can be used to document approvals for accounting to add an unrecorded asset to the accounting records can be downloaded at kevinharpercpa.com/resources.html

Asset Identification Tags

If your policy is not already clear, you will need to decide what assets should be tagged. How many tags will be used when several assets are capitalized as a single line item in the accounting records? How many tags when one asset has several components that are each capitalized separately in the accounting records?

Generally, you should tag equipment, especially moveable equipment. These are the hardest assets to keep track of and the easiest to be stolen. Generally, the following types of assets are not tagged: intangibles including software, infrastructure, and buildings. You will need to decide whether to tag other assets, such as vehicles, weapons, furniture, immoveable equipment, child assets, and assets under capitalization thresholds.

If assets aren't already tagged, you will need to decide whether to tag them as they are being observed. Once an asset is tagged, it is easier to identify it during future observations. If assets have previously been tagged, you will likely nevertheless find some during your observation that are not tagged. This can be because the tag fell off, was defaced, or never affixed.

Parent/Child Relationships

Many line items in accounting records are not separate assets in their own right. Most modern accounting systems have the capability of linking a child asset to its parent via a Parent ID Number field. The parent and child assets should be observed together. Therefore, you will want to identify parent and child relationships for the observations. Examples of parent and child assets are:

- Construction costs after an asset is placed into service may be capitalized as a separate line item.
- Multiple assets needed to work together such as a battery pack and a portable welder capitalized as separate line items.
- Replacement of part of an asset, such as replacing the engine of a vehicle or a portion of a roadway's paving.

Transfers

When you find an asset during the observations that is not on the asset list, you frequently get this reaction from department personnel. Situations that can lead to assets being recorded in the wrong department include:

- Input error.
- An asset has physically been moved to a different location.
- A vehicle has been recorded in the division that bought it instead of fleet fund.

Internal Controls Over Capital Assets

Following is a list of the primary internal controls that a government should have in place to properly account for its capital assets:

1. Responsibilities for initiating/approving capital expenditures (including leases and repair/maintenance projects) should be segregated from responsibilities for accounting for those transactions (project accounting, property records, and general ledger functions).

2. Approvals by appropriate levels of management and/or elected officials should be required for capital asset transactions. Individuals authorized to initiate capital asset transactions should be identified and the limits of their authority defined.

3. Responsibilities for the project accounting and property records functions should be segregated from the general ledger function.

4. Responsibilities for the project accounting and property records functions should be segregated from the custodial function.

5. Responsibilities for the periodic physical inventories of capital assets should be assigned to individuals who have no custodial or record keeping responsibilities.

6. A separate capital projects budget should be prepared.

7. A subsidiary ledger should be maintained for all capital assets, including those that are self-constructed, donated, purchased, or leased.

8. Physical safeguards over assets should exist.

9. Detailed property records should be periodically compared to existing assets. Periodic inventory of documents evidencing property rights (e.g., deeds, leases, and the like) should be performed. Differences between records and physical observations should be investigated and the accounting records adjusted accordingly.

10. Capital assets should be adequately insured.

11. Equipment should be identified by pre-numbered tags or other means of positive identification.

12. Written procedures and policies should exist to:
    - Distinguish between capital expenditures and repairs/maintenance expenditures.
    - Identify operating budget expenditures to be capitalized.
    - Identify accounting versus departments' responsibilities.
    - Describe whether/how to track non-cap assets.
    - Describe disposal procedures—approvals, notify accounting, sell, donate, advertise, scrap, replacement assets.
    - Describe capitalization thresholds, depreciation methods, level of detail to capitalize (e.g., whether a building will be capitalized as a single asset or each component).
    - Describe procedures to inventory, tag, and reconcile assets to the accounting records.

- An IT asset was recorded in the department where it is being used instead of the IT department.

A sample Fixed Asset Transfer Form that can be used to document approvals before accounting records a transfer can be downloaded at kevinharpercpa.com/resources.html.

Non-cap Assets

GFOA's recommended practices suggest that capital assets with values less than the capitalization thresholds be tracked at the discretion of the departments. Also, some governments have policies that require tracking of certain assets regardless of value, such as weapons and IT assets.

Departments would use their discretion to decide which small assets to track based on the following considerations:
- Track those subject to theft or loss.
- Track those with higher dollar value.
- Track those with legal or compliance requirements. For example, grant funded assets may need to be tracked separately so that they are properly reported to grantor when disposed.
- Other management need or discretion.

Assets Held by Othersor Owned by Others

It will be helpful to identify any assets that are not on-site before beginning the observations. You may need to arrange an observation with another organization or obtain a written confirmation of assets they have in their possession. Examples of assets not on-site are:
- Assets in off-site storage.
- Equipment purchased but not yet received.
- Equipment loaned to others.

It will also be helpful to identify any assets on-site that are not owned. In these cases, you will need to make sure not to capitalize them as unrecorded assets. Examples of unowned assets are:
- Equipment provided by contractors.
- Rented equipment.
- Heavy equipment borrowed from another government.
- Jointly constructed assets capitalized by another entity.

A well-planned physical observation of capital assets will avoid most of these sticky wickets. Give capital assets the respect they deserve by conducting periodic physical observations and reconciling the results to the accounting records. It is a large task the first time you observe all your assets, but usually is manageable in future years when observations are done on a rotational basis. **PM**

KEVIN W. HARPER is managing partner of Kevin W. Harper CPA and Associates, a small CPA accounting and consulting firm. Contact him at kharper@kevinharpercpa.com if you have questions or would like to brainstorm your challenges.

Fiscal First

The Role of Your Finance Officer in Times of Crisis

BY SHAYNE KAVANAGH, MIKE MUCHA, AND JAMIE PORTER

W hile we all hope that the public safety and health concerns from the COVID-19 pandemic will soon lessen with the success of multiple vaccines, cities will continue to face a much longer financial crisis from the loss in revenue. This will have serious impacts on budgets and require coordinated action. As leaders in Washington, DC, work to develop strategies to stimulate the economy, provide resources to help local governments through this difficult time, and limit the lasting damage from this crisis, all local governments must also take action at a local level.

To help local governments deal with the tenuous financial situation, the Government Finance Officers Association (GFOA) has developed the program, Fiscal First Aid: Recovering from Financial Distress (gfoa. org/ffa). This program was actually created more than 10 years ago to help local governments manage the 2008 Great Recession. At the core of a local government's response to a crisis is the role of the finance officer. The finance officer plays a vital role in shaping, leading, and executing a local government's path through a financial crisis, and even creating the possibility that reforms taken during the crisis will allow the government to emerge more secure and stable than before. In this article, we will describe fiscal first aid in further detail, and highlight the actions that finance officers, working with their city managers, can and should be taking now as part of an overall approach to leading through a financial crisis.

Aid

What Is Fiscal First Aid?

Fiscal first aid refers to retrenchment tactics that can be used by finance officers to stabilize financial condition. It is the process of recognizing, arresting, and reversing a pattern of financial decline. This stability builds stakeholder confidence in the recovery process and buys time to develop and enact more comprehensive financial recovery strategies. At the core of fiscal first aid are the three stages of recovery:

1. Bridging

In the bridging stage, the government must get through the immediate crisis and create breathing room to make more sustainable reforms. Bridging includes:

- Forming a team to lead the recovery.
- Slowing the flow of money out the door.
- Implementing a cash flow forecasting tool.

Many governments faced with this stage in Spring 2020 when the pandemic forced an economic shutdown causing mass uncertainty.

2. Reform

In the reform stage, the government balances the budget without making things worse in the long-run. Reform includes:

- Diagnosing causes of financial distress.
- Applying low-risk treatments.
- Considering higher-risk treatments, if needed.
- Exploring ideas for bigger reform.

While it has been approximately a year since the pandemic began to really take hold in the United States, many governments still find themselves in this state—with significant budget cuts being very much a real possibility.

3. Transform

In the transform stage, the government comes back better, stronger, and more resilient than before. Transform includes:

- Increasing adaptability.
- Becoming resistant to future crises.
- Building a strong financial foundation and thriving community for the long run.

As with many of the lessons from this pandemic, the transform stage requires that governments learn from this experience and work to implement sustainable changes.

In addition to these three stages, fiscal first aid also consists of a 12-step process to help go through the stages of recovery. These steps provide various resources, tools, case studies, and more information to help progress through the different steps of the financial recovery process.

Here are five of the most critical actions for local governments:

Recognize the Crisis

Governments facing a financial crisis need to recognize that a real problem exists. At the core of this is making a rapid determination of the problem. The finance officer should quickly assess the problem and its severity and communicate with other leaders in the organization. An assessment of the problem must be informed by an understanding of how to make decisions under uncertainty. A generic set of questions to consider when determining the problem are:

- Where do our revenues stand and what can we expect for the next six months to a year?
- Are our expenditures within budget? How much can we rein them in? What are the most importance causes of revenue decreases or

expenditure problems?
- What are reasonable expectations for future growth?
- What size imbalance are we facing? Which funds are experiencing distress? How long can the revenue decline be expected to last?
- Which programs will be most affected by the crisis?

Core Recovery Team
Similar to any other emergency, governments need to assemble a core recovery team. In putting the team together, the finance officer should:
- Look for successful models already in place in your organization.
- Identify potential participants and key departments that will either be disproportionately impacted by the crisis or those best positioned to provide assistance.
- Consider the role elected officials will have on the team.
- Make sure day-to-day operations are covered.
- Consider the need for personnel replacement.
- Consider the need for legal advice.

After the team is assembled, the finance officer can begin defining what the tasks are for the recovery team. Some of the tasks that should be defined include:
- Recognizing the needed change and ensuring that everyone involved understands the urgency of the situation.
- Providing leadership throughout the recovery process.
- Developing "champions" outside of the team.

- Providing guidance to other teams within the organization.
- Evaluating strategies and carrying them forward.

Short-Term Treatments
Next, governments need to consider the short-term treatments to address immediate budget challenges and solutions that can be implemented quickly to provide some immediate stabilization and a sense that the situation is under control. This buys time for a methodical approach to financial recovery. While many governments may have faced immediate budget challenges in mid-2020, others may not see financial impacts until much later due to lag in revenue. Generic treatments are applied based on the finance officer's understanding of the situation rather than on detailed analysis. Although generic treatments are safe to apply with minimal up-front diagnosis, they are only a short-term pain reliever.

Examples of actions that finance officers can take in the short term are outlined in GFOA's report, "Cash is King."[1] This report outlines short-term strategies to slow the flow of money out the door and keep the budget balanced. These short-term strategies are:

Reduce Personnel Costs:
This is the biggest area of expense for most governments, so a serious retrenchment effort will have to address personnel costs. This might include:
- Short-term hiring freeze.
- Eliminating vacant positions.
- Reassessing personnel equipment needs.

Reduce Capital Spending:
Capital assets are often very costly, so even a modest

reduction in spending could result in significant savings. This might include:
- Reducing the scope of capital asset investments.
- Deferring certain capital asset purchases.
- Improving capital project management.

Reduce Material or Contractor Costs:
Though not as significant as personnel or capital, many governments can find savings in existing contracts that may not be as painful to cut. This might include:
- Reexamining maintenance and replacement standards.
- Reducing paper costs.
- Eliminating low- or no-value tasks.

Create More Advantageous Inflow and Outflows of Cash:
These techniques won't balance your budget, but can help better manage the incidence of expenditures and revenues during the year. This might include:
- Better utilization of inventory.
- Delaying payments to vendors.
- Looking for areas of consistent surplus in prior budgets.

Get New Resources:
Governments should also explore possibilities for new resources, even if those opportunities are limited.
- Redesignating general fund reserves.
- Implementing new or revised fees where appropriate.

Long-Term Treatments
While the short-term treatments can help reduce budget stress temporarily, long-term treatments will be required for many governments facing any significant shortfall. Here are some of the strategies that finance officers can implement to positively impact their local government's long-term financial position.

Control Employee Benefits Costs:
This includes containing employee health care costs as well as reforming pensions. There are a number of strategies that local governments can use to contain health care costs,[2] including self-insurance[3] and high-deductible health plans. In addition, pension liabilities are essentially a form of "bad debt" that hobbles a local government's ability to provide the community's desired mix of tax and services. Local governments can take steps to address this problem.[4]

Budget Better: Budgeting is difficult even without a financial crisis. However, many governments rely on traditional or incremental forms of budgeting that take last year's budget and adjust to form next year's budget. This form of budgeting is appropriate for maintaining the status quo, but impedes major reforms necessary to fully make a transformation. Better budgeting involves reaching out to the community, defining priorities, inventorying current programs, identifying what services are more effective at producing results, and having discussions that will inevitably involve choices on which programs to cut.

Transform Government Services: As part of improving the budget process, governments find they may also need to transform the services they are providing. In fact, many have found that they can both achieve better outcomes and reduce the cost of government by:

- Stopping or reducing lower priority services.
- Shifting from remediation to prevention.
- Improving and/or simplifying work processes.
- Overcoming the limits of local government fragmentation.[5]

Promote More Financially Savvy Community Development: Government should evaluate their use of economic development incentives. Empirical research suggests that more than 75 percent of new jobs in an area would have been created locally without an added incentive. Improving community development also means choosing financially suitable land use patterns. Land-use planning decisions are usually made without regard to the long-term financial impacts on the local government budget. Therefore, local government should develop a capacity to analyze the true financial impacts of land use decisions.

Manage the Recovery Process

Finally, the finance officer should be one of the individuals responsible for managing the recovery process. To do so, they should use tools and techniques to ensure that the recovery proves manageable and sustainable. The finance officer should think of the recovery process as a portfolio of projects. The main elements of this approach are:

Governance: Financial recovery requires finance officers to make the necessary changes in organizational performance to pull out of decline. Good management is needed to keep the recovery process on track. One thing a finance officer can do is assign a recovery manager to manage the portfolio of recovery projects. This will help align the recovery tasks and activities with the overarching goals of the recovery. It also ensures that resources are balanced across the work effort.

Project Management Plan: A finance officer should use a project plan to manage activities within your recovery plan. A good project management plan is a collection of sub-plans that address scope, execution, and stakeholder management. These are the sub-plans we believe are most critical for managing financial recovery projects:

- Scope Plan.
- Requirements Plan.
- Stakeholder Engagement Plan.
- Resource Plan.
- Communications Plan.
- Risk Management Plan.

Project Portfolio Management: A finance officer should consider using a project portfolio to manage all of the projects associated with fiscal first aid. A portfolio is used to align projects to strategic initiatives. This approach helps ensure that every project is relevant to the recovery plan, that every element of the plan is being moved forward, and that portfolio management practices are applied across all projects.

Project Communications: Good communication is essential to managing the fiscal crisis. The finance officer should remember to:

- Establish a clear chain of command for managing tasks and activities.
- Control rumors and misinformation.
- Be as transparent as possible.
- Set up and manage remote work and teams.

Project Management Techniques: Finance officers should learn and implement some project management discipline components. The following are some examples of tools and techniques that finance officers can implement:

- User stories.
- User cases.
- Kanban boards.
- Scrum meetings.
- Effective meeting management.

Conclusion

A local government's success in responding to and getting through a financial crisis depends upon many things. Of utmost importance is the role in which a local government's finance officer plays in the response and recovery, both in the short term and long term. Having a leader in the finance office provides the city manager with an ally, a peer, and a partner to help weather a crisis and work on building a more thriving community. **PM**

Produced in partnership with the Government Finance Officers Association (gfoa.org).

ENDNOTES AND RESOURCES

[1] https://www.gfoa.org/materials/cash-is-king

[2] https://www.gfoa.org/materials/containing-health-care-costs

[3] https://www.gfoa.org/materials/smart-practices-for-self-funded-employee-health-insurance

[4] https://www.gfoa.org/materials/queen-creeks-pension-problem

[5] https://www.gfoa.org/fragmentation

SHAYNE KAVANAGH is the senior manager of research for GFOA and has been a leader in developing the practice and technique of long-term financial planning and policies for local government.

MIKE MUCHA is deputy executive director of GFOA and the director of the Research and Consulting Center.

JAMIE PORTER is a program associate, assisting the Research and Consulting Center with its efforts in promoting the GFOA's research.

MAKING
RESPONSIBILITY
COUNT

BY T. C. ADDERLY AND
KELVIN LEWIS, *EDITED BY*
GINA NORDQVIST

Inside the city of Miramar's innovative, cost-saving, revenue-generating C.A.R.E. program

Taxes are one of the key reasons many people first choose to move to Florida. The lack of a state income tax, moderate sales taxes and business taxes, and state-wide property taxes below the national average are all attractive reasons to call Florida home.

At the same time, however, taxes in South Florida—particularly property taxes—are often considerably higher than locations elsewhere in the state.

In Broward County alone, the median property tax bill comes in around $2,664 based on a $250,000 median home value.[1] That's more than 60 percent of the state median of $1,773 for a similarly valued home in other Florida communities.

Those extra taxes go a long way toward making South Florida the most desirable destination in the state, but it also means there's not much room for cities and municipalities to increase taxes further to compensate for inflation, rising costs, or instituting new programs. The city of Miramar, however, has found a solution by approaching these challenges from a new angle—the city's new Comprehensive Assessment of Revenues and Expenses (C.A.R.E) program. Rather than raise taxes on property, introduce an increase in sales tax, or pursue other means of revenue that negatively impact residents, the C.A.R.E. program seeks to recapture revenue, optimize budgets, and minimize unnecessary expenses or waste through employee involvement, analysis, and execution.

"Serving the community well and what it costs to provide those services has always been a delicate balance," shares Vernon E. Hargray, Miramar city manager, and one of the lead public officials behind the C.A.R.E. program. "We must always recognize that our residents have entrusted us with significant portions of their income in exchange for maintaining an excellent quality of life. That is ultimately how we add value to those who live, work, and play in Miramar."

The Beginnings of C.A.R.E

In 2018, Hargray identified a number of items that would need to be addressed if Miramar were to continue a trajectory of positive growth and advance its position as a major South Florida city. Among these needs were enhanced work environments for employees, improved and expanded best practices for government administration, optimizing the city's human and financial capital, and additional quality of life benefits for the community at large.

"Many cities struggle with exactly these same needs," says Hargray. "Often, the decision is to put together a task force to address one issue at a time. It's a good-enough approach, but I felt strongly we needed something more holistic if we wanted it to be not only effective but also sustainable for years to come."

At the foundation of the program, Hargray identified four pillars for measuring success:

1. The new program must ensure crucial identified needs were met.
2. The program should also be used to identify areas of inefficiencies within the city.
3. Inefficiencies must then be addressed and corrected to

City Manager Vernon E. Hargray speaks to members of the various C.A.R.E committees about the importance of employee participation and the value that they bring to the forefront in identifying city needs and ways to enhance, generate revenue, and increase savings with and through city assets.

Conservation Committee presents the importance of eliminating the use of Styrofoam containers with a recyclable option.

eliminate waste and better utilize resources.

4. With the city running in an optimized manner, the program should create opportunities for financial savings and revenue generation.

How C.A.R.E. Works

To make C.A.R.E. a reality, Hargray sought out Kelvin L. Baker Sr., ICMA-CM, and assistant city manager—one of the most experienced professionals in leading programs as expansive as this one would be. "The C.A.R.E. Program is an internationally proven program that includes strategic planning, goalsetting, and implementation of viable ideas while empowering all employees, residents, and the business community to participate in the innovative advancement of the city," explains Hargray. "Mr. Baker's experience and knowledge in running a program of this scope and size is how C.A.R.E. was able to deliver abundant financial gains, advancements for the business community, enhanced employee relations and interactions, and leadership development opportunities

in city government so quickly since the program was launched in November 2018."

Baker's approach was simple, direct, and actionable—create a program that is employee-driven to encourage participation, teach accountability and responsiveness, and instill leadership across all levels. The C.A.R.E program starts with employee participation with full support from the city manager. This module allows employees to see the positive impact in their area, as well as other areas of the city. It also allows employees to engage in "out of the box" thinking in areas outside of their daily departmental roles. To initiate

the process, employees make "suggestions" via suggestion forms/cards submitted to the C.A.R.E. department. Once received, the C.A.R.E. department filters them based on category. These include:

- Workplace efficiency.
- Expenditures.
- Revenues.
- Public/private partnerships.
- Grant programs.
- Reserves.
- Volunteer programs.
- Energy policy.
- Conservation policy.
- Capital improvement plan.

Each category is overseen by a committee comprised of staff members from a variety of departments. Disciplines such as practice leadership, engagement, decision-making, teamwork, and more are built into the submission process, during which time committees receive, review, vote, process, and implement recommendations deemed viable, upon approval by the city manager. In addition, some of the suggestions are easy to implement, so the city has used the opportunity to take action on ideas at the supervisor, assistant director, director, and assistant city manager levels without the need to request the city manager's approval. This has increased the number of implemented suggestions while decreasing the approval timeline.

Revenues Committee Member Ralph Trapani presents to senior staff members of the city of Miramar.

The beauty of the C.A.R.E. program is that it allows individual employees to contribute suggestions and ideas to those areas in which they have the most interest, expertise, or connections to facilitate change. "Having multiple categories under the C.A.R.E. umbrella also allows us to be responsive to new or emerging needs and opportunities as they occur," says Baker. "For instance, we may not need to make capital improvements every year. Or, we may be approached by an organization hoping to expand solar power. We cannot predict when or where future needs may happen, but with C.A.R.E. we have the framework for addressing them in a timely manner."

Results

The outcome of the program thus far has proven successful; not only in the accomplishment of city objectives, but in employee relations as well. With staff collaborating beyond their respective departments, engagement is a natural by-product of the program. So, too, are positive outcomes.

With over 264 employees creating the 1,408 suggestions received since the program's conception through January 2021, the C.A.R.E. program's successes included the following:

- Increased the number of suggestions implemented via work orders (from zero to 58).
- Implemented suggestions approved by the city manager and completed via work orders.
- Negotiated $36 million (over 20 years) of billboard revenue.
- Negotiated $48,000 for the term of a two-year agreement in valet parking and event management services revenue.
- Raised $85,000 of savings from the utility bill audit.
- Created $51,000 in estimated savings from an energy audit.
- Discovered $13,000 of savings from stranded assets.
- Produced $1,101,138 of four-quarter savings from our investment policy (as of February 25, 2021).
- Established $68,290 savings per month and 80 participating vendors from our P-card policy.
- Collected $88,286 in reimbursements from contractors.
- Improved our cell phone stipend program.
- Negotiated an estimated $47,250 in city savings and employee benefits, negotiated a 20–25% hotel discount (for city travel and city employee personal use).
- Created a potential revenue of $17,000 with a memo of understanding with Kohl's Department Store.
- Current reserve total of $20,000 via a reserves policy creation and utilization.
- Upgraded the quality of life for our residents with the "Be Strong" community program and South Florida Institute on Aging community program. (Both delayed by the COVID-19 pandemic.)
- Implemented the city manager's quarterly video using two employee videos.
- Saved $10,565 with double-sided default printing.
- Saved $10,404 with a computer hibernation policy.
- Improved energy usage by installing LED street lights.
- Created $45,000 estimated revenue from solar-powered trash and recycling bins.
- Improved the quality of life of employees with HR programs.
- Work-from-home opportunities (fast-tracked by the COVID-19 virus).
- Established a $160,992 annual savings with an anti-idling policy.
- Created additional opportunities for revenue increases:
  - $20,000 potential annual revenue for a water trailer.
  - $130,838 potential 10-year savings for fleet electrification.

Near completed projects and programs:

- Working on a $300,000 grant with FPL for level 1 (best) chargers, revenue-based project. We're awaiting the grant award decision (revenue-based).
- Working with FPL on free level 2 unit installation (cost-saving $8,000 per unit). These units will be "city use only."
- Installation of revenue-based level 2 chargers (revenue not estimated).
- Potential savings of $130,838 for fleet electrification with an eight electric vehicle pilot.
- $5,000 received with an estimated revenue of $75,000 annually (for five years) from bus bench advertising.
- Generated $457,146 in C.A.R.E. grants during the first year (city total $8,111,366).
- $404,543 current grants awarded.
- Exceeded 1,000 suggestions (total of 1,095) during the first program year (2018–2019).
- Established two public-private partnerships (Marriott and Kohl's).
- Additional programs started, created, or implemented due to association with the original suggestions:
  - T-Mobile cell phone discount with payroll deduction for all Miramar employees.
  - Contract management (in the RFP process).
  - T-Mobile Connecting Heroes program (early stage).

"It's not often that a city gets to say they've cut costs and improved the value of delivery to all it serves... but that's precisely what C.A.R.E. has done for the city of Miramar," finishes Hargray. "As we continue to identify other areas of revenue generation and growth through the C.A.R.E program, we welcome communications with other municipalities to learn how they may experience the same savings, over time, by undertaking similar programs best suited for their needs. Because C.A.R.E. has worked so well for us, we are eager to share it with others." **PM**

ENDNOTE

[1] http://www.tax-rates.org/florida/property-tax

T. C. ADDERLY is C.A.R.E. manager, Office of the City Manager, Miramar, Florida.

KELVIN LEWIS is C.A.R.E. assistant, Office of the City Manager, Miramar, Florida.

REDEVELOPING HOUSES OF WORSHIP

BY RICHARD REINHARD

Municipalities should be proactive in working with religious leaders, developers, and the community for the future of these unique properties

Over the 2020s, houses of worship in the United States will be closing like never before. While many close, some congregations will seek to redevelop or reuse their properties as a means of staying vital. Municipal managers need to join with religious leaders and the real-estate community to prepare for the onslaught of empty religious buildings, and

to facilitate the rebirth of single-use churches into mixed- and multiple-use developments. What follows is an overview of the challenge, where it has come from, how to overcome barriers, and the opportunities for revitalization through development.

Overview

In the past decade, between 3,850 and 7,700 houses of worship have been closing per

year in the United States, or 75 to 150 congregations per week, according to estimates from the Center for Analytics, Research, and Data, sponsored by the United Church of Christ. Some reopen for other congregations, most notably immigrant congregations. Others are transformed into low-income housing, community arts centers, luxury condominiums or other development, but those are exceptions. Most

churches remain empty.

An empty house of worship, like any empty building, can be a security problem and can decrease the value of surrounding properties. Perhaps more importantly, an empty house of worship, especially one at a main intersection, can be seen as a symbol of community failure.

In the aftermath of the current public health crisis, the number of church closings

will increase dramatically. Conservatively, the number will double or triple. To frame this issue by analogy, recent estimates suggest that 30 percent of all U.S. restaurants will close or fail to reopen. If churches are similar to other service businesses—with estimates of a post-pandemic closure rate of 20 to 30 percent—then somewhere around 100,000 of the estimated 384,000 houses of worship in the U.S. will close in relatively short order.

Before the pandemic, one denomination in one state rated their churches based upon nine performance criteria, relating to economic health, congregational size, and the relationship between the two. If a church fell below certain standards in at least five of the nine performance criteria, it was rated in "critical condition"; if it fell below in three or four of the nine criteria, it was rated in "serious condition."

Of 530 churches, 105 were rated "critical" and 208 were rated "serious." The denomination in that state may be faced with taking drastic action with 313 of its 530 churches in the next decade or sooner. Further, many houses of worship deemed "healthy" are in fact barely holding on, with clergy concerned about dwindling membership, aging congregations, decreasing contributions, a shaky bottom line, and an uncertain future.

Causes
Decline in church attendance: One reason for this spate of closures is the rapid reduction in individuals who consider themselves to be religious. Jeffrey M. Jones, reporting for Gallup, wrote, "U.S. church membership

was 70 percent or higher from 1937 through 1976, falling modestly to an average of 68 percent in the 1970s through the 1990s. The past 20 years have seen an acceleration in the drop-off, with a 20-percentage-point decline since 1999 and more than half of that change occurring since the start of the current decade."

Rising costs: A second reason is the increasing costs of managing real estate, especially aging real estate. According to the Building Owners and Managers Association, it costs $12 per square foot, not including property taxes, to operate an office building; $2 per square foot to operate a warehouse building. If one assumes that a church is akin to a building that is half-office, half-warehouse, it would cost $7 per square foot, not including property taxes, to operate a church. That would mean a modestly sized 10,000-square-foot church building would cost $70,000 per year, roughly the equivalent of 100 members placing a $20 bill in the collection plate 35 weeks per year, just to support the cost of the real estate, never mind compensation for the pastor or organist or other expenses. The median size congregation of one denomination in one state I am familiar with was 49.

Change in behavior: A third reason is a service-delivery model constructed in another era. Many denominations located houses of worship every four or five miles so people could ride their horses to and from services on Sunday. In urban communities, each neighborhood might have its own church of each denomination as a matter of neighborhood pride. As mobility has increased and

neighborhood identity has decreased, worshipers may look for a different experience than they once did.

Preference for virtual: Finally, the COVID-19 pandemic is having its radical effect, keeping worshippers away and making virtual

services seem not just easy and natural but, to some, even preferable.

These causes beg an age-old controversial question of what constitutes a sacred space. It is interesting to note the burgeoning of new congregations that use movie theaters, storefronts, school cafeterias, and community centers for worship services, thus avoiding, or at least severely minimizing real-estate costs. Reasonable worshipers may disagree on whether there is something spiritually or theologically special that occurs in a house of worship that cannot or does not happen through a computer or in a cafeteria or in a stadium, or really anywhere on the planet where worshippers gather.

Alternatives
A house of worship that is unable to afford its real estate faces two alternatives: either sell the property; or repurpose its real estate into an alternate use, sometimes with multiple or mixed uses.

Congregations often are in denial about their financial condition in general and their

properties specifically. The philosophy of "the Lord will provide" often outweighs the reality of "we have only 10 members, a roof that leaks, and a boiler that doesn't work."

Municipalities, religious organizations, and developers need to be open to both of

> Congregations tend to make decisions based upon emotion. Arguments such as "my grandparents were married in this church" tend to dilute arguments like "we only have six members with a median age of 80."

the described alternatives, preparing themselves for a tsunami of closed churches, as well as the desire of active churches to create multiple- and mixed-use developments.

Problem or Opportunity?
Is an empty church—or a church that wishes to become multiple- or mixed-use—a problem or an opportunity for a municipality?

On the one hand, no municipality wants an empty building dominating a prominent intersection, especially an empty hulk that is difficult to reuse or to demolish. An active house of worship often serves as the site, if not the sponsor, for considerable social-services programs: food pantries, clothes closets, child-care centers, health clinics, and 12-step groups (such as Alcoholics Anonymous and Narcotics Anonymous). These initiatives often are taken for granted by municipalities, which may be forced to find alternative sponsors and alternative spaces if a church closes its doors.

On the other hand, most municipalities would welcome the opportunity to take a

prominent property that has been off the tax rolls and get it to generate local property taxes. Perhaps just as important is to take a prominent property that has seen limited use—perhaps one or two days a week—and turn it into a mixed-use activity generator. Many municipalities are looking at the properties of houses of worship as ideal sites for needed affordable or low-income housing. However, alternative uses may be the highest and best use. Municipalities should be wise to the fact that what is best for a religion or a developer may not be best for the community and should be prepared to negotiate.

Municipalities should evaluate the potential of each house-of-worship property based upon at least seven factors:

1. **Property:** Is the property in good condition or has a lack of investment by a financially ailing congregation weakened the condition of the property. Some houses of worship, due to financial hardship, have neglected to invest in roofs, HVAC systems, and other major capital assets in their worship spaces, education centers, and parsonages.

2. **Market:** Is the property in a high-, moderate-, low-, or no-demand market or submarket? Is the demand highest at that location for housing, office, retail, or institutional use?

3. **Political environment:** What is the zoning of the property? How will neighbors and neighborhood associations greet a change in use or structure? Neighbors may be resistant to change, especially when they have not been involved in the process or even consulted.

4. **Congregation:** Is the congregation prepared to settle on a strategy and, if not, what will it take—and how long—to get them settled? Is the congregation more interested in mission or money? It is rare that they can accomplish both.

5. **Denomination:** Who makes decisions in the religion or denomination involved? Is it "top-down," "bottom-up," or something in between? Is the denomination more interested in mission or money?

6. **Partners:** Are there experienced for-profit and not-for-profit developers in

the area with the capacity to carry off a project? Are there experienced consultants—real estate, design, engineering, finance—to support it?

7. **Finance:** Is a proposed development financially viable? What grants, loans, and other incentives can be provided by the municipality, state, or federal government, or foundations to write down the cost of a program important to the community?

Obstacles

Before entering into any discussion about repurposing, the municipality needs to recognize that partnerships with houses of worship can be extremely difficult.

First, congregations and denominations tend to make decisions based less upon facts but more upon emotion. Arguments such as "my grandparents were married in this church" tend to dilute arguments like "we only have six members with a median age of 80."

Second, clergy and lay leadership tend to trust neither real-estate professionals nor government officials, feeling

dutybound to preach the word and save souls. They view with suspicion goals of profit or re-election, especially when the profits are mostly going to someone outside of the congregation or community.

Third, clergy are educated to promote religion, not to converse with municipalities or developers about management, social entrepreneurship, urban planning, or real estate. This leaves them woefully unprepared to enter into the technical matters that a repurposing project naturally entails.

Fourth, different religions and denominations have different rules for decision making. Some, like the Roman Catholics and Church of Jesus Christ of Latter-day Saints, are very top-down: what the church hierarchy says goes. Others, like the United Church of Christ and Judaism, are very bottom-up: decision making is at the congregational level. Some, like my church, the United Methodist Church, are both: a Book of Discipline prescribes a complicated route for closing and/or redeveloping churches.

Fifth, congregations can be unclear on their desired outcomes. Some begin a project, wanting to fulfill their mission to the poor by constructing homeless shelters or low-income housing on their property, only to expect the sort of revenues that market-rate housing, office, or retail would provide.

Finally, houses of worship can have complications involving their real estate. One denomination discovered late in the process that a reversion clause entered into decades ago meant that, if a house of worship closed, the land would revert back to the original

owner. Often cemeteries promising perpetual care are part of a house of worship's property and end up becoming the responsibility of the house of worship's parent body, the developer, or the municipality.

Taking Action

To plan for church closings, municipalities may consider the following actions:

Compile an inventory of the properties of houses of worship in the municipality. At the same time, develop relationships with clergy and lay leaders. Especially important are key houses of worship in key locations. It is equally important to begin to develop an understanding of the rules involving real estate of various denominations, such as learning who makes key decisions: the bishop (or like official), the local clergy, the lay leadership, or some combination.

Develop a willingness to assist small but growing houses of worship. This is especially important for those houses of worship serving immigrants. If an empty house of worship building is to be reused, the most likely use is another house of worship, and the most likely users are immigrant communities.

Develop a property tax strategy that encourages appropriate redevelopment. Active houses of worship are tax-exempt. Vacant properties are not. Houses of worship are often unclear that, while they own property, they can preserve tax-exempt status by holding infrequent but regular religious services or storing religious equipment on site. Renting out the property to tenants can subject the property to taxation.

Develop zoning strategy that encourages appropriate development. Property that served the community well as a house of worship in the past may no longer have the same as its highest and best use. Well-located houses of worship may be ideal locations for dense development, as many are located near transit or at key intersections in a neighborhood or center city.

Assist with alternate places for social-services delivery. The food pantries, clothes closets, child-care centers, health clinics, and 12-step groups accommodated by houses of worship need to continue serving a municipality

with as little interruption as possible.

In addition, to promote joint ventures/mixed and multiple use, municipalities may consider the following actions:

Serve as facilitator or mediator between houses of worship and developers. Houses of worship tend not to trust the profit motive exhibited by the real-estate community. Elected and appointed officials can sometimes be the best translators between the spiritual language of a house of worship and the business language of a developer.

Develop access to grants, loans, and other incentives, especially for low-income and affordable housing. Housing, especially affordable, low-income, or senior housing, often is the logical use for excess property owned by a house of worship. A religious organization can fulfill its mission to serve the disadvantaged and elderly, while a municipality can take advantage of below-market-rate land.

Be reasonable and clear on regulations for uses involving food, childcare, and public health. Houses of worship often run afoul of regulations when allowing their facilities to be used for these critical community needs and require assistance to understand government regulations.

After a 30-year career in special-district management and economic development, I have spent the last five years in church administration. The experience has offered me a unique perspective on houses of worship, their role in communities, and their real estate. The possibilities are promising when municipalities are prepared to work with houses of worship, developers, and the community to work boldly and creatively together. **PM**

Examples of Successful Multi-Property Initiatives

Here are several models that are currently successful in exploring multiple properties. The first two are based in local government, but none can work without municipal cooperation.

Religious Land Use Working Group of the Faith Community Advisory Council
Montgomery County, Maryland
http://montgomerycountyinterfaithmd.org/about/religious-land-use-working-group/

Mission-Oriented Development Pilot
San Antonio, Texas
www.sanantonio.gov/NHSD/Coordinated-Housing/Development

Congregation Land Campaign
Interfaith Alliance of Colorado
https://interfaithallianceco.org/clc

Trinity Centres Foundation
Montreal, Quebec
https://trinitycentres.org/

Wesley Community Development Corporation
Charlotte, North Carolina
www.wnccumc.org/wesleycdc

Parish Properties
Ottawa, Ontario
www.parish.properties

RICHARD REINHARD is principal of Niagara Consulting Group and counselor to The Lakelands Institute. He has served public-private, community-, and economic development partnerships and city governments for 30 years before devoting the last five years working for the United Methodist Church. (richardtreinhard@gmail.com)

What You May Not Know About Strategy

Rethinking and reframing your strategy to change your approach

BY KEL WANG

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e are in an unprecedented time. What does it mean to the strategies we have in place? In your experience as a manager, I am sure this question has come across your mind from time to time or your leadership team was asked about the very same question. How did you respond? What would you say to your staff?

We have talked about the best practices of developing a strategic plan,[1] the value of performance management,[2] and strategic planning,[3] and how strategies can help manage a crisis.[4] Here we would like to present three ideas we haven't talked about and that you may not know. We would also like to pose three questions that you should ask as you develop, approve, or implement your strategies in the future.

Strategy Is About Uncertainty

Strategy is a roadmap, a critical path to the collective vision of our community. By nature, your strategy has to address uncertainties. Without uncertainty, we would just need a series of steps to go from A to B. So, the first question you should ask: *How is uncertainty accounted for in the strategy?*

Oftentimes, our strategy or plan presents one scenario, the best case, the ideal future of your community (known as vision). But what about the other choices that can also make your community a better place? The goal of most strategy conversations is to demonstrate the due diligence of the development process and to get the plan approved. What is missing from the conversation is the shared understanding of premises, assumptions, and risks to get to the best case, all of which is what we call evidence-based.

We do have an opportunity to reframe the conversation from a "yes or no" approval exercise to a choice-making exercise by discussing alternatives. It will inevitably enrich the understanding of what is presented and what is underlying. Without understanding, there will be no buy-in.

Strategy Is About What Not to Do

Strategy is about what to do. It helps us get to the destination. The problem of *not* discussing what *not* to do is that we unintentionally neglect the fact that what we already have in place may not be as relevant, effective, or efficient as its descendent that is included and articulated in the strategy. The second question you should ask: *What does the strategy tell us not to do?*

Public organizations are facing growing financial constraints and increased public scrutiny. To demonstrate the value for tax dollars and maximize the use of limited resources, organizations have to be able to overcome budget inertia (as a result of the incremental budgeting approach) and liquid resources, which is usually not an easy conversation on its own.

The strategy conversation offers a great opportunity. All participants—including elected officials, the public, key stakeholders, and the administration—are in change mode, imagining a bright future, planning for transformative work, and starting a new chapter of partnership and relationship. So people are ready for change. As you (or your team) are planning for transformative new work, it is worthwhile taking an extra step to examine related existing work. It will not only instill a continuous improvement mentality in your organization, but also an evidence-based approach to make resource reallocation decisions.

Strategy Is About Coordination and Consistency

Strategy is our plan to make a difference in the community. Sometimes, we may overly emphasize or rely solely on ourselves, our own ability, to move the needle. We may not sufficiently consider the value and impact of others. In fact, without partners we would just need an administration's work plan, not a strategy.

So, the third question you should ask: *What roles do others play in the strategy?*

Local governments play an integral role in building our community. Depending on the issue, the role would vary. It is okay for us to collaborate, to support, and to enable by focusing on shared outcomes and on where we can add the most value. That's why recognizing and activating the value from others in the strategy is essential.

If others' involvement in the strategy is inevitable and in fact adds value, then how can we leverage it? It comes down to two things: clarity of roles and consistency among different types of work. Our partners are busy. Help them understand their roles not only save them time, but also help you manage their expectations. Secondly, strategy is not inherently valuable. The value doesn't come from the strategy itself. Value comes from the collective impact, especially when the actions and work are aligned and in sync. And this requires consistent communication, shared outcomes and measurement, and ongoing commitment to the work.

Conclusion

Unprecedented time comes with uncertainty and new demand for public services. While it is important for you and your staff to respond right away by anticipating what is going to happen next, what resources need to move, and what measures need to be in place, maybe you could also introduce the aforementioned three ideas and questions to the conversation. Maybe you will start to notice that you could have more than one option on the table, you could change the way you do business while stopping certain things, and you could also get the work done by supporting and working with others. When all of the above starts to happen, then you know your strategy is truly successful. **PM**

ENDNOTES AND RESOURCES

[1] "Strategic Planning Revisited," Kel Wang and Michael Sambir, *PM* Magazine, February 2020, https://icma.org/articles/article/strategic-planning-revisited

[2] "Why Performance Management Works," Kel Wang, *PM* Magazine, November 2017, https://icma.org/articles/pm-magazine/why-performance-management-works

[3] "Strategic Planning Revisted," Kel Wang, *PM* Magazine, August 2019, https://icma.org/articles/article/strategic-planning-revisited

[4] "Look Beyond the Crisis," Kel Wang and Michael Sambir, *PM* Magazine, June 2020, https://icma.org/articles/pm-magazine/look-beyond-crisis-strategy-management

KEL WANG is senior manager, data quality and application, at the World Council on City Data (WCCD). He also serves on the ICMA Performance Management Advisory Committee. (kel.wang@globalcities.ca)

FEAR AND COURAGE — THE LEADERSHIP DUALITY

Have the courage to face your fears to become an effective leader

BY ED EVERETT, ICMA-CM

Fear is a subject most people don't want to talk about. It's often seen as a negative and horrifying emotion. The following quotes provide a significantly different view of fear.

- "The only thing we have to fear is fear itself."
  —Franklin D. Roosevelt
- "Without fear there cannot be courage."
  —Christopher Paolini
- "The cave you fear to enter holds the treasure you seek."
  —Joseph Campbell
- "Fear defeats more people than any other one thing in the world."
  —Ralph Waldo Emerson
- "Fear is an idea-crippling, experience-crushing, success-stalling inhibitor inflicted only by yourself."
  —Stephanie Mellish
- "I learned that courage was not the absence of fear, but rather the triumph over it."
  —Nelson Mandela

Our profession simply doesn't talk about fear and how it limits our ability to exert leadership. Fear and the courage to face our fears are essential elements of leadership. Fear is also the major cause of the risk aversion that has crippled our profession.

Fear Defined and Identified

Fear is defined as a feeling of alarm caused by an expectation of danger and a state of dread or awe. Fear is a visceral feeling that affects the body: you may experience an upset stomach, sweats or chills, or a racing heart.[1]

Experiencing fear is completely different from having major concerns. For example, you may be concerned and anxious about a big project, but you might fear failing or making a mistake that you think will forever damage your reputation in the organization. You can be concerned about not having enough resources or time, but you might fear losing control or your credibility in the organization.

There are many common fears like the fear of public speaking, heights, bugs, snakes, and spiders. There are also fears that affect you at work, such as a fear of failure or success, fear of being judged or rejected, fear of losing control, and the fear of being fired.

Unfortunately, we usually don't know what we are afraid of or we don't want to admit that we are afraid. Most of our fears are irrational, but they are still our fears. For example, I was a rock climber, but have always been afraid of going on a roller coaster. Some fears are clearly legitimate, like the fear of being chased by a lion or being burned, but these are not the fears that affect our organizational lives and prevent us from being effective leaders.

The Impact of Our Fears

When we experience a fear, our body and our mind automatically go into "fight or flight" mode. These reaction modes have been traced

Leaders have fears like everyone else, but they understand what their fears are and how those fears affect them.

back to our ancestors as they learned how to survive. In the workplace, the **fight mode** might exhibit itself as:

- Active resistance to an idea or program.
- Getting angry and vociferously arguing.
- Retaliating against someone.
- Defying a rule or order.
- Taking legal action.

In the workplace, the **flight mode** might exhibit itself as:

- Giving up or quitting.
- Not defending your idea.
- Remaining silent.
- Being risk averse and afraid to take action or make a decision.

Our fight or flight impulses will manipulate our actions in ways that are harmful not only to ourselves, but also to the organization and/or the community we serve.

The Bigger Picture: Fears and Leadership

Everyone has fears. Our fears negatively affect our actions. Fears often cause us to take the wrong action or reduce us to inaction. Both will cause us to be an ineffective leader. If everyone has fears and fears can prevent someone from being an effective leader, then how can effective leaders exist? Leaders have fears like everyone else, but they understand what their fears are and how those fears affect them. Effective leaders have the courage to act in spite of their fears.

Many studies have shown that by acknowledging and confronting our fears, they will become smaller, less daunting, and more manageable. The fear may not go away, but you will be able to take action in spite of the fear. The same studies also show that fears that are not acknowledged or confronted become more powerful and impede us even more.

The Courage to Lead in Spite of Our Fears

Courage is best defined as *one's ability to face fear.* You can't have courage without fear. It takes courage to love someone or be successful or be happy. A wonderful quote about courage from Anais Nin is "Life shrinks or expands in proportion to one's courage." Courageous people lead very large and full lives. Fearful people lead very small lives.

How does one acknowledge and confront one's fears? Two steps must be taken. First, you must accurately define your fear. This is more difficult than you may think since we tend not to admit our fears or we don't accurately define them. The second step is to figure out how best to confront your fears. When confronting a fear, ask yourself three questions:

1. What is the worst case if my fear comes true?
2. What is the probability that my worst case will happen?
3. Can I live with the worst case?

Answering the first two questions is almost impossible to do by yourself. We often catastrophize the worst case and misjudge the likelihood that the worst case will happen. These mistakes are driven by the fear itself. To prevent this, involve a couple of friends or colleagues to give you a reality check on both your worst-case scenario and the probability that it will happen.

You then need to answer the last question: Can I live with the worst case? Effective leaders are willing to take the risk and say: Yes, I have the courage to live with the results of my actions.

How Our Fears Create a Risk-Averse Culture

Our profession is dominated by risk aversion both at the staff and council levels. Risk aversion is a flight reaction to fear. The antidote to this malady is courage. Courage is:

- Taking actions that are "scary."
- Speaking truth to power.
- Experimenting and innovating.
- Doing what is right versus what is easy.
- Speaking up for your beliefs and values.

Courage is the opposite of "go along to get along" or "don't rock the boat" or "good enough for government work." Courage demands a bolder response.

Risk-averse cultures usually form over time and can only

be dismantled over time. A risk-averse culture heightens employee fears and hence reinforces itself. Effective leaders understand this and are strategic in modeling courage and operating in ways that can change this culture.

The best way to deal with a risk-averse culture is to first acknowledge the reality both at the staff level and at the council level. Once acknowledged, strategic steps can be developed to change the culture. Each organization must figure out the specific steps that are most effective for its culture.

Unless we are willing to admit our fears, we will perpetuate the risk aversion problem within our profession. It is up to each of you to do this and not blame someone else for the risk-averse culture.

Exercise

List your deepest and most daunting fears as they relate to the work you do and the position you hold. This exercise is difficult to do by yourself. I suggest you involve a couple of colleagues. Ask your colleagues to challenge you to dig deep and make sure you are listing the true fear versus a major concern.

Reminders

- You might be **concerned** that you don't have enough time or resources to take on a project; however, you might **fear** losing credibility or being rejected if you don't perform well.
- You might be **concerned** that people will think badly of you; however, you might **fear** rejection or "being found out."

- You might be **concerned** about not being supported by management or the council; however, you might **fear** failing or being fired.

Summary

- Fears are real and we all have them.
- Fears manipulate our actions in negative ways.
- Leaders have fears like everyone else, but act anyway because they have courage.
- Courage is the ability to confront your fears.
- Acknowledging your fears makes them more manageable. Hiding from your fears makes them more frightening and more destructive to you.

Based on over 35 years in our profession, I have observed too many city managers and top executives unable to effectively lead due to fear. Fear has prevented too many people from becoming effective leaders. It is time to change that by having the courage to face your fears. Let me know if you want help. **PM**

ENDNOTE

[1] Also see Career Compass #58, "Overcoming Deep-Seated Fears," https://icma.org/articles/article/career-compass-no-58-overcoming-deep-seated-fears

ED EVERETT, ICMA-CM, is a consultant and former city manager, Redwood City, California. In 2007, he received ICMA's Award for Career Excellence in Memory of Mark E. Keane. (everetted@comcast.net)

Monrovia Renewal

Prioritizing repairs and restoring infrastructure with the help of community outreach

Monrovia, California—2020 Recipient, Program Excellence Award, Strategic Leadership and Governance (10,000 to 49,999 Population)

Monrovia is the fourth oldest incorporated city in Los Angeles County, so it was not surprising that its aging infrastructure was plagued by a backlog of deferred maintenance. Components of the water and sewer systems were close to a century old, and while a satisfactory Pavement Condition Index rating is 70-plus, Monrovia garnered a rating of 57.1.

Historically, limited resources resulted in piecemeal fixes to stop a leaky pipe, replace a cracked sidewalk panel, or fill an aggravating pothole. To gain a comprehensive understanding of the infrastructure's condition, the city commissioned four master plans to assess the street, sidewalk, water, and sewer systems, and to provide cost estimates for restoration.

Based on the findings and recommendations in the master plans, the city was challenged to:
1. Develop an integrated approach to address $51.7 million of priority repairs.
2. Determine how these repairs would be funded.
3. Develop a plan to coordinate the work.
4. Develop a communication and outreach plan to keep residents informed throughout the project.
5. Develop a plan for ongoing maintenance.

In response, the city launched Monrovia Renewal, an innovative multi-year initiative to prioritize repairs and restore the infrastructure to a healthy baseline state.

Community outreach was identified early on as integral to the success of Monrovia Renewal. The city developed a comprehensive communication and outreach plan to facilitate the community's understanding of the infrastructure improvements in their neighborhood using its website, email newsletters, social media, and community meetings. To help gather input from residents and business owners, the city established the Monrovia Renewal Citizen Advisory Committee.

Since implementation, the city has completed approximately $41.7 million in improvements and repairs and raised the Pavement Condition Index to 85.5. Additionally, the city has made more than 8 million square feet of street improvements, 154,000 square feet of sidewalk replacements, 114,000 linear feet of new curbs and gutters, more than 2.5 miles of new water pipelines, nearly five miles of sewer improvements, 197-point repairs to sewer lines, and installed 800 new water service lines. To protect its investment, the city developed a Pavement Preservation Ordinance to limit construction activity on rehabilitated streets. A new Pavement Management System will ensure that every street is reviewed and maintained every six years—with cost-effective preventive treatments rather than more expensive rehabilitation.

Monrovia Renewal effectively demonstrated how a city can work in partnership with residents, businesses, utilities, and other stakeholders to ensure that local streets, sidewalks, water and sewer systems, and other infrastructure can operate reliably and cost-effectively for decades to come. **PM**

Don't Get Ready, Get Started

Your **Innovation Fitness Plan** | BY PATRICK IBARRA

Where are you and your organization in today's innovation race? The past practice of gathering employees together and assuming that innovative ideas would simply surface is no longer sufficient. Fluctuating budgets, fewer staff, and increased accountability are just a few of the factors igniting a renewed emphasis on doing things differently and doing different things.

There are fewer and fewer good jobs where you can get paid merely for showing up. Instead, successful organizations are paying for people who make a difference. Consider whether your organization would be more successful if your employees were more obedient? Or think for a second: would you be more successful if you had employees who were more artistic, motivated, connected, aware, passionate, and genuine? You can't have both. Organizing around average means that the organization has exchanged the high productivity of exceptional performance for the ease and security of an endless parade of average performers.

There will always be people who crave certainty and detailed marching orders. But leaders must train themselves and their employees to remember that too much direction actually limits individual innovation and speed. We're living in a creative economy and you need more than diligence and expertise from your employees.

Knowing that innovation is critical isn't enough. "Getting it" is one thing; "getting it done" is quite another. It is clear that in order for an organization to embrace innovation, people have to take risks. This means that they have to be really committed to doing something new, because taking risks means that there may be unpleasant consequences as well as pleasant outcomes. The reward for doing nothing shouldn't outweigh trying something.

Most experts agree that these are the skills needed for sustained high performance in the knowledge economy:

Adaptability: The capacity to change in response to ever-shifting conditions in the economy and the marketplace, and to quickly master the new skills that such changes require.

Innovative thinking and action: The ability to think creatively and to generate new ideas and solutions to challenges at work. In particular, to determine what needs to be preserved (the "roots") and what needs to be changed (the "anchors" weighing down progress).

Personal responsibility for learning: The willingness of individuals to take responsibility for continually improving their work-related capabilities throughout their careers.

Research has shown that effective leaders value a questioning mind, and practice and instill curiosity in their organizations. What lenses are you and your workforce using to analyze problems? Besides a microscope, try a pair of binoculars, maybe a telescope, and even a kaleidoscope to expand your imagination. Using various lenses often allows us to reframe capabilities and problems, especially during times of uncertainty. Keep in mind that while all teachers aren't leaders, leaders must be teachers. To expand your mind about curiosity, I recommend Francesca Gino's article, "The Business Case for Curiosity.[1]

Your overall goal is to come up with a new way of looking at the problem/situation, something unfamiliar that forces a shift in perspective. Try describing your organization without using five key words—government, citizen, service, community, and budget. Responding to this question can be useful because it forces you to discard some of your most fundamental existing perceptions about your organization. It also pushes you to consider new ways of looking at aspects of what is currently true for your organization.

Practicing innovation so it generates meaningful results and is not the so-called "flavor of the month" requires much more than simply flipping a switch. It commands leaders to foster the collaborative and creative workplace culture required to unleash the potential of organizational members. This, combined with a group of employees who are driven by the fear of settling for what's achievable and instead focus on what's needed, comprise a formidable tandem that effectively disrupts the status quo thinking of "we've always done it that way." Always remember that innovation, change, and progress are siblings.

Successfully implementing innovation within your organization has very little to do with the size of your agency's budget or size of your workforce. There are always people who want a convenient escape hatch as the backdrop of not pursuing innovation. "Don't have the time, don't have the

> "
> **ONE PERSON WITH PASSION IS BETTER THAN 40 PEOPLE MERELY INTERESTED."**
>
> **—E.M. Forster**

PATRICK IBARRA and his consulting firm, the Mejorando Group, are passionate about unleashing human potential (patrick@gettingbetterallthetime.com).

budget, and don't have the people to do it right now" were and continue to be repeated by seasoned leaders. That approach is the equivalent of a person saying that he or she can't improve their fitness because they don't have the time, workout gear, or money to pay for membership dues to the local gym. What? Are you kidding me? That's absolutely unacceptable on both fronts—injecting innovation and improving your health.

Now is the precise time to be bold, utilizing the instability of the situation to help government shift toward a different and more influential role going forward. Innovation is no magic elixir to realize this vision, but it's the primary lubricant.

Here are my suggestions for those who crave innovation with an insatiable appetite. Think of it as your innovation fitness plan to keep your mind moist and receptive for discoveries.

1. **Lace up your sneakers:** Look outside government for ideas. The idea that the public sector has nothing to learn from the private sector, or for that matter, the nonprofit sector, is ridiculous. That's just not true. Focus on aggregating good ideas regardless of the sector or source.

2. **Take along a friend:** Invite peers from another government agency to spend time with you in your workplace and vice-versa. Take it out to the field departments, too. You'll be amazed at what you discover about your organization and others that will stretch your mind.

3. **Have a plan, but seek out organic opportunities:** Preparing a fitness plan that includes the frequency and number of reps is a great starting point, but it's not enough. My experience both working in government for over 15 years and consulting to a number of governments the last 19 years has helped me realize there's a strong tendency by senior managers to control everything as an attempt to achieve desired outcomes. In some instances, this will work just fine, but it can seriously impede innovation inside an organization. Prescribing outcomes through the over-reliance on written rules, regulations, policies, and procedures can inadvertently diminish variance, and with it, opportunities for innovation will decline. Crucial to adopting better ways of doing the

public's business requires more than tolerance, but an advocacy for discretion on how things will be done. It is only through these portals, what I call organic opportunities, that innovation will take root and flourish.

4. **Work on the abs:** Toning your abs is always a segment of getting in shape. Try an "idea wall" to help people traffic in ideas. Put it up in a virtual or real live break room or some other place where employees gather, a white board with dry erase markers, and write on the white board a question like, "What are we doing that makes us think we're innovative?" or "How can we streamline our processes better?" Encourage employees to respond using the dry erase markers. No need for names unless people want to. Through this planned approach to generate more conversations among employees, serendipity has a much better chance to occur.

5. **Take a run:** Feel the burn and get the lead out! It's great for your heart, among other benefits. Ask a few coworkers to join you for an afternoon and take a virtual field trip to a local art museum, see a film, or tour a local business. The point is change up the predictability to which people have become accustomed and challenge their perspective. The arts are a wonderful way to accomplish this. While serving in city management, I would invite employees on a field trip to see a film, enjoy lunch. and engage them in a wonderful discussion about how what we saw can help us learn and improve our organization—not literally, per se, but as a result of challenging our assumptions. I learned early in my career that in order to help people think differently about their role and potential contributions around innovation, I had to bring them through a different portal. The arts are wonderful at challenging our assumptions and pushing our creativity to explore the unknown.

6. **Work your back:** Being an innovator requires a lot of heavy lifting, so getting and keeping your back flexible and strong

is essential. Invite guest speakers for your employees to hear about the latest in technology advancements, economic trends, or leadership development. Pool financial resources with neighboring jurisdictions and bring in top-shelf speakers and presenters. Your people are hungry for stimulation, so feed them!

7. **Stay hydrated:** Must stay hydrated during all this intense exercise so start a book club or attend a webinar. Please email me at patrick@gettingbetterallthetime.com and I will reply with a list of thought-provoking materials—books, websites, and magazines—that will transfer the heat of your energy into fuel and help you sustain the flame starter status you've attained in your workplace. Convene your executive leadership team to

attend a webinar and hold a "lessons learned" afterward.

8. **Cool down:** Excellent work out, and now it's time to cool down. You don't want to wake up tomorrow and experience muscle soreness. All these exercises are intended to generate a fountain of ideas and new ways of looking at the same old thing, but this is often the toughest part—implementation. Collaborate with coworkers to convert the abundance of ideas into practical improvements. Start with something, pilot it, but start. Yes, it won't be perfect, polished, and packaged but that's because innovation is often iterative; there's no "just add water" for innovation to occur.

9. **Do it again:** One workout doesn't amount to much in-and-of-itself. You

must repeat the fitness plan so that you continue to tone up your mind and body. Increasing your capacity for innovation demands your attention, effort, and initiative; there are no shortcuts. Some people would rather take a pill to get into shape, but that's fleeting and rarely sustainable. Pursue the alternative instead by working out and jumping in feet first. You'll be glad you did.

So, there you have it—a simple, straightforward workout plan to strengthen your innovation muscles. There's no magic to it; it has nothing to do with the type of workout clothes you wear or how long you've been working out—nothing of the sort. Successful innovators are disciplined in their approach, purposeful in their actions, and operate with laser-like focus. Let's get going as you work toward getting better all the time. **PM**

ENDNOTE

[1] https://hbr.org/2018/09/the-business-case-for-curiosity

The Road to Recovery | BY KELLY HOUGHTELING

Paving the way for **stronger organizations** by prioritizing staff

In March, we hit the one-year mark of the pandemic reaching the United States. After a year of responding and pivoting, it is time to think about recovery, resiliency, and how to build back stronger communities.

As local government leaders, this is the moment we should be leading rather than lagging to create stronger organizations by taking care of our staff.

Support Families

A 2019 benefits study conducted by SHRM found only 4 percent of employers offer subsidized childcare.[1] To support families during the pandemic and beyond, reliable childcare is needed. So, let's harness the creative problem-solvers in our organizations by bringing folks together, building systems, and providing the resources needed. Could we subsidize the cost of childcare for employees who attend night meetings? Or offer onsite childcare at recreation centers for employees? And more broadly, how are local zoning and building codes hindering the expansion of childcare in our communities? Are we convening nonprofit and community partners to assess shared choke points and needs?

Advocate for Paid Family Leave

The United States is the only industrialized nation with zero weeks of paid parental leave. I repeat: we are the only nation with zero weeks of paid leave. We need to offer gender neutral pay for birth and adoption. We cannot claim to support family values without backing it up with policies. In the absence of federal action on this issue, it's time for us to lead at the local level. Offering paid leave to both parents has shown to create greater equity at home with shared responsibilities, improve children's health, increase bonding, and reduce stress as parents adapt to the exhaustion they face when welcoming a new child. As a bonus, research shows paid leave fosters a greater sense of employee loyalty, increases employee retention, and is an attractive benefit in employee recruitment.

> We cannot claim to support family values without backing it up with policies.

Offer Flexible Schedules and Remote Work

Even when we return to work, I believe flexible schedules will be the expectation of employees. We should also reimagine our built environment at city hall with less traditional office spaces and more shared conference room space for collaboration. It's time to formalize this structure rather than viewing it as a temporary reality.

Advance Racial Equity

What steps are you taking to normalize conversations about race? If we are not willing to be vulnerable and drop the script internally, how will we ever be able to create new policies and practices to advance racial equity for our entire community? I get it, this conversation is uncomfortable, but we have a responsibility to tackle it head on. If you need resources, check out the Government Alliance on Race and Equity (racialequityalliance.org), a national network working to achieve racial equity and advance opportunities for all.

Host Thoughtful Gatherings

Zoom fatigue is real. Have you ever left a meeting and thought, "that could have been an email"? When planning gatherings, start backwards and think about your desired outcome. Inform participants of the purpose, send materials ahead of time, and allow for healthy controversy. And if you are the organizer, you cannot delegate your authority. You must ensure the conversation moves forward productively. If you allow a staff member to derail the meeting, it is your responsibility to course correct. I highly recommend Priya Parker's book, *The Art of Gathering*, for more ideas on hosting meetings and events. Once we enter the "post-Covid" world of in-person gatherings again, it will be more important than ever to be intentional about the time we spend together, while celebrating the colleagues in our organizations and partners in our communities. **PM**

KELLY HOUGHTELING is deputy town administrator of Wellington, Colorado, and president of The League of Women in Government.

ENDNOTE

[1] https://shrm.org/hr-today/trends-and-forecasting/research-and-surveys/pages/benefits19.aspx

Leadership ICMA Class of 2022

Taking the **next step** in their leadership journey | BY NEDRA JAMES

On December 2, 2020, 15 of ICMA's brightest young leaders, hailing from all five ICMA regions, began their journey as the newest class of Leadership ICMA.

Leadership ICMA is a rigorous two-year program for high-performing leaders who have demonstrated extraordinary commitment to the field of public service. The program focuses on professional development in three key areas: personal leadership, critical processes, and current challenges of our time.

The program is an intense exploration of the participants' leadership strengths and styles, and development of their leadership capacity through reflective learning, peer consultation, and a monthly examination of leadership and community-building topics.

Please join ICMA in welcoming the newest class of Leadership ICMA. **PM**

Lisa Brown	Kyle Coleman	Joanna Crean	Jackson Daly	Jared Jones	Adam Lincoln
Sarah Ott	Stacie Pratschner	Jennifer Prochazka	Stephanie L. Reyes	Laura Savage	Douglas Shontz
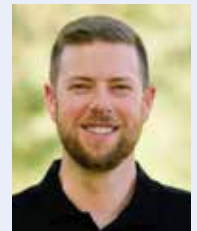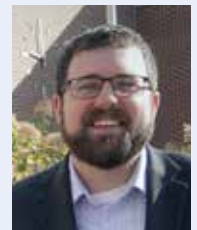
Leadership ICMA Program Staff:

Kristin Byars Smith	Blair Snow	Justin Weiland	Nedra James	Felicia Logan

ICMA

2021 COACHING PROGRAM
THRIVE IN LOCAL GOVERNMENT

UPCOMING FREE WEBINARS – Register at icma.org/coachingwebinars

WEDNESDAY, APRIL 21
Best Practices to Manage Public Spaces

WEDNESDAY, MAY 19
Leading from the Middle

WEDNESDAY, SEPTEMBER 15
Leading Your Community in an Era of
Anxiety: How Do You Make Sure You Hear
Them and They Hear You

WEDNESDAY, OCTOBER 20
The Future of Work: Strategies for Adapting
to a New Reality

WEDNESDAY, NOVEMBER 17
Growing Your Career: Tips for Redefining
Yourself in the Minds of Others

Can't make it to the live webinar?
Register and get an automatic email notice when the recording is available.
icma.org/coachingwebinars

SAVE TIME! SIGN UP FOR ALL FIVE WEBINARS AT ONCE!
bit.ly/ALLSIX

Additional free coaching resources at ICMA's Career Center (icma.org/careers):

- Digital archives
- Career Compass monthly advice column
- CoachConnect for one-to-one coach matching
- Live speed coaching events, talent development resources, and more.

Join our list for coaching program updates and more: email **coaching@icma.org**.

Learn more at icma.org/coaching

Engaging Citizens in Solving Problems

Recognizing the **Making Democracy Work Leadership Institute** | **BY FELICIA LOGAN**

Join us in recognizing the participants and faculty of the inaugural Making Democracy Work Leadership Institute, an 18-month program in partnership with ICMA, the Kettering Foundation, and the National Civic League to create understanding and practice of civic engagement in small communities.

The Making Democracy Work Leadership Institute helps managers strengthen their ability to engage with a public that often feels sidelined and reluctant to get involved in solving wicked community problems. Specifically, the institute help managers with the following:

- Aligning their professional routines with the way citizens in communities work so that citizens can produce the "things" government needs to be effective and

Valerie Lemmie of the Kettering Foundation leads a discussion

citizens find government more responsive and worthy of their trust.
- Creating civic spaces where public officials and citizens can learn to work in more democratic and complementary ways to produce public goods.
- Encouraging a culture of deliberation and robust civic engagement. Key to the work of the Institute is shared learning and the development of innovative professional practices.

Seth Sumner, city manager of Athens, Tennessee, spoke about his experience with the program in a presentation with the American Academy of Arts and Sciences, which can be seen here: https://youtu.be/kx-d5HXeWII. **PM**

PARTICIPANTS

Susan Arntz, ICMA-CM
City Manager
Mankato, Minnesota

Norton Bonaparte Jr., ICMA-CM
City Manager
Sanford, Florida

Tanisha Briley
City Manager
Gaithersburg, Maryland

Tom Carroll, ICMA-CM
Village Manager
Silverton, Ohio

Bryna Helfer
Assistant County Manager and Director, Communications and Public Engagement
Arlington County, Virginia

Alejandra Lopez
Interim Director,
Economic Development Department
San Antonio, Texas

Kristina Nelson-Gross
City Attorney
Sequimwa, Washington

Reina Schwartz, ICMA-CM
City Manager
Clayton, California

Stacy Wall Schweikhart
Director of Strategy & Engagement
Miami Valley Regional
Planning Commission

Noah Simon, ICMA-CM
Deputy Town Manager
Westlake, Texas

C. Seth Sumner, ICMA-CM
City Manager
Athens, Tennessee

Justin Weiland, ICMA-CM
City Administrator
Dell Rapids, South Dakota

FACULTY

Martin Carcasson, PhD
Director, Center for Public Deliberation
Colorado State University

Cheryl Hilvert, ICMA-CM
Midwest Regional Director
ICMA

Valerie Lemmie
Director, Exploratory Research
Kettering Foundation

Doug Linkhart
President
National Civic League

Felicia Logan
Director, Leadership Development
ICMA

Michael McGrath
Director, Research and Publications
National Civic League

Peggy Merriss, ICMA-CM
Acting City Administrator
Pine Lake, Georgia

Phil Stewart
Senior Associate
Kettering Foundation

Wendy Willis
Executive Director
Deliberative Democracy Consortium

Athenian Project Class of 2020

Recognizing an **extraordinary group** of leaders | BY FELICIA LOGAN

The Athenian Project is an 18-month journey to transmit yourself, your community, and the local government profession into a greater and more beautiful version than before.

The project was designed by tenured ICMA members to provide leadership development that challenges the big issues of the day and provides an opportunity to embrace a personal challenge with a group of like-minded colleagues.

Please join us in recognizing the 2019–2020 class of the Athenian Project. **PM**

Pamela Antil, ICMA-CM
City Manager
Encinitas, California

Sereniah Breland
City Manager
Pflugerville, Texas

Edward Broussard, ICMA-CM
City Manager
Tyler, Texas

Charles Bush, ICMA-CM
City Manager
Sequim, Washington

Michelle Crandall
City Manager
Hilliard, Ohio

Kate Fitzpatrick, ICMA-CM
Town Manager
Needham, Massachusetts

Shannon Flanagan-Watson, ICMA-CM
Deputy County Manager
Arlington County, Virginia

Diane Foster
Assistant City Manager
Aspen, Colorado

William Fraser, ICMA-CM
City Manager
Montpelier, Vermont

David Junger, ICMA-CM
Assistant City Manager
Decatur, Georgia

Michael Land, ICMA-CM
City Manager
Coppell, Texas

Opal Mauldin-Jones, ICMA-CM
City Manager
Lancaster, Texas

Peggy Merriss, ICMA-CM
Acting City Administrator
Pine Lake, Georgia

David Morgan
City Manager
Georgetown, Texas

Alan Ours, ICMA-CM
County Manager
Glynn County, Georgia

Martha Perego, ICMA-CM
Director of Member Services and Ethics
ICMA

Christopher Senior, ICMA-CM
Town Manager
Cohasset, Massachusetts

Eileen Stein, ICMA-CM

ICMA Staff:

Nedra James
Senior Program Manager, Professional Development

Felicia Logan
Director of Leadership Development

MARKETPLACE | professional services

JULY

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11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Access to fifty+ sessions for one fee • Earn a maximum of thirty-eight CPE credits

See below for an update on GFOA's Annual Conference in Chicago.

We continue to live through unprecedented times: the crisis of COVID-19, economic uncertainty, social and racial unrest, and weather catastrophes. *How do we lead during these turbulent times? How do we lead beyond them?* **Join GFOA for its 2021 Virtual Conference, July 12—23,** to hear from leading practitioners, recognized industry experts, researchers, and peers how to effectively prioritize the current needs of your community and prepare for any future challenges.

Register today at gfoa.org!

Program

- **Access to fifty+** sessions including networking group events, which will be **streamed live July 12-23**. Visit gfoa.org to view session topics, speakers, and a schedule.
- Tune in July 12 for GFOA's **annual business meeting, which is complimentary to GFOA members**. At the meeting, GFOA's active government members select new members of the Executive Board and vote on any policy statements that have been prepared by GFOA standing committees and recommended for approval by GFOA's Executive Board.
- Earn a maximum of **thirty-eight** CPE credits. (session length varies from fifty minutes, seventy-five minutes, or one hundred minutes • 1, 1.5, or 2 CPE credits available per session).
- **Connect** by asking questions, answering live polls, and chatting with presenters and other participants. You're also invited to **engage** with your peers on GFOA's Member Communities (coming soon!), and social media.
- All attendees will receive access to **session recordings** to view at a later date. *At this time, viewing recorded sessions would not be eligible for CPE credits.*

Connect with GFOA

in Government Finance Officers Association (GFOA)
GFOA Members Forum

Twitter @GFOA #GFOAVirtual2021
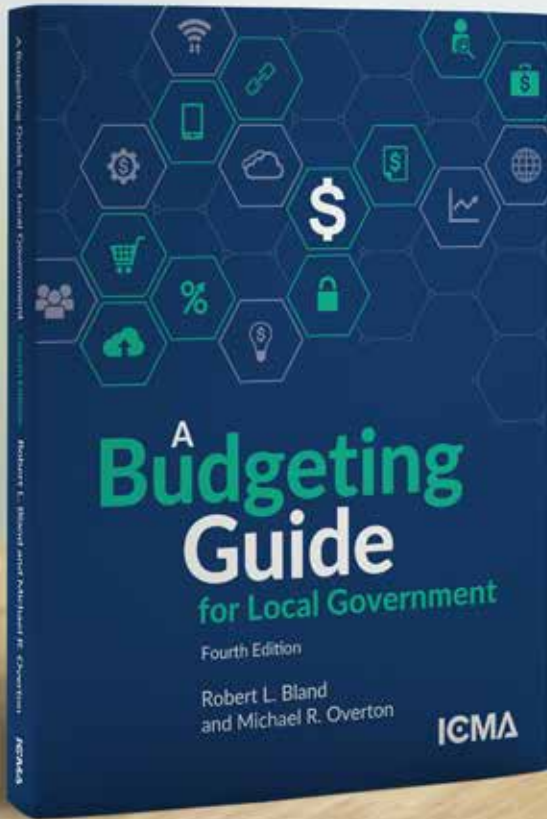@chrisgfoa

f GFOA of the US & Canada
GFOA Members Group

Instagram gfoa_

For health and safety reasons, GFOA's 115th Annual Conference, June 27–30, 2021, in Chicago, Illinois, has been canceled. We look forward to gathering again in-person for GFOA's 116th Annual Conference, June 5–8, 2022, at the Neal Kocurek Memorial Austin Convention Center in Austin, Texas. Keep watch for registration updates in the fall.