

Fiscal Leadership in Difficult Times

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Speakers

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Discussion Topics

- Leading a government to good fiscal decisions
- Disclosing politically unpopular financial information
- Avoiding becoming Dr. No
- Help set priorities for sound decision-making
- Maintaining your reputation with a difficult budget and fiscal outlook

Leading a government to good fiscal decisions

- We have a responsibility to provide fiscally responsible budgetary options AND to lead a government to sound decision making.
- *What are some ways to accomplish this in a political and conflicted environment?*

Leading a government to good fiscal decisions

Discussion Statements

- Look at likely future fiscal situation and have options to prepare for it.
- Look for opportunities in the future to get the message across.
- Spend more time on working to get good decisions rather than on appearances.
- Address political concerns.
- Be trustworthy and ethical.

Examples

Brigitte

- Drive the bus from behind. Anticipate what information is needed by the governing body to make sound decisions.
- Provide options. Work on scenarios that allow lay-people to follow the thought process and buy-in.
- Base your information on sound analytics and policy.
- Make sure Finance is always visible and not an afterthought.
- Remain neutral. Don't be "sucked into" internal politics.

Examples

Carol

- Be fiscally transparent, when possible – and be prepared to provide supporting information.
- Utilize City Council vision, mission and goals as your beacons to guide you through the politics.
- Present challenges with support from external sources.
 - > Actuarials, HdL, CalPERS, etc.
 - > “You are not alone” – other municipalities are facing similar challenges

Examples

John

- Watch (and manage) the politics – don't ignore – they determine the outcome
- Will likely be less effective where you don't see the internal politics
- What you say will likely be repeated to the “other side” – expect it
- What you say may be attacked – make sure it is accurate and unbiased
- Major contract – Councilmember wanted a different vendor than recommended – many subsequent hours generating data and getting prepared, vendors spoke - staff recommendation approved by one vote

Disclosing politically unpopular financial information

- We have a responsibility to disclose financial status and important information.
- *What are some ways to do that in a political and conflicted environment?*

Disclosing unpopular information

Discussion Statements

- Design presentation approach to address the managers' and elected officials' concerns
- Don't present as black or white
- Look for and be prepared for future opportunities to get the message across
- Disclose information incrementally or repeatedly over a long-term. No surprises
- Develop approaches to “speak truth to power” and know when you need help

Examples

Carol

- Present your “wins” – not just the challenges.

FY 2019/20 Proposed Budget Recap

- ❑ The FY 2019/20 Proposed Budget theme “Shaping the Future” wherein we need to align our resources to meet future challenges
- ❑ FY 2019/20 Proposed Budget provides majority of funding for public safety
- ❑ Funds infrastructure improvements to roadways, parks, facilities and other capital assets
- ❑ Rising CalPERS costs will continue to strain annual budgets
- ❑ The City will continue to take a fiscally conservative, long-range approach to budgeting

Examples

John

An Acute Care Hospital Lease

“The Lease provides a financial and property ownership incentive for the Tenant to terminate at some point... The City should expect this outcome...”

Lease Approved and Continues (hospital operates)	Lease Terminated Prior to 45 Years (either before hospital opens or after)	Lease Not Approved (Council does not approve)
\$25 million plus some annual administrative costs that could be \$100,000 to \$150,000 a year	Up to \$25 million, plus some annual administrative costs that could be \$100,000 to \$150,000 a year (same as “lease continues” option) and potentially tens of millions of dollars more for reimbursement of Tenant costs, the reimbursement amount limited to and likely offset by the sale of the property. <i>Note: For several reasons, this is a likely outcome. The acute care hospital may or may not operate after termination.</i>	\$2 million to \$2.5 million a year until property can be repurposed or sold <i>Note: City Council would have to decide next steps and provide direction to staff.</i>

Examples

Brigitte

- Fiscal Health Response Plan

Issue: General Fund revenue falling behind expenditures

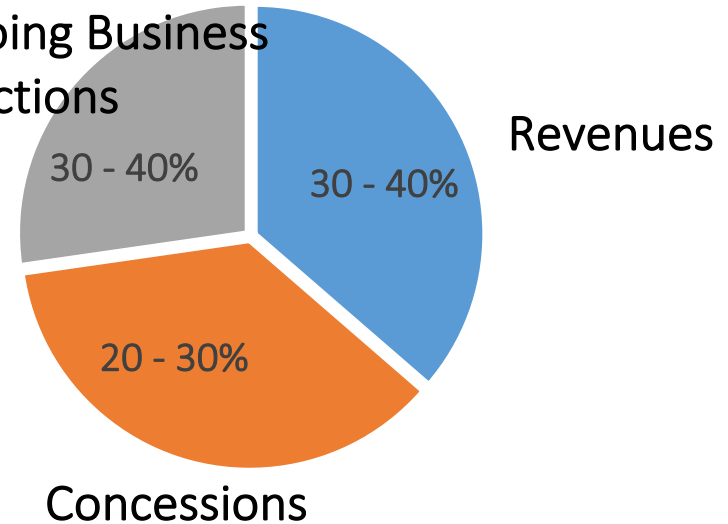
Need: reduction of \$7.5 million

Solution:

Note: you are not alone. Use your resources

General Fund – 3-year plan

New Ways of Doing Business
Operating Reductions



Avoiding becoming Dr. No

- We cannot always be seen as saying "no" to be allowed "at the table."
- *How can we add value at that table while help in avoiding unsound financial decisions and practices?*

Avoiding Becoming Dr. No

Discussion Statements

- Saying "no" too quickly often narrows your thinking.
- Say "Let me look into that," rather than "no".
- Identify options and pros and cons.
- When you say "no," explain the rationale.
- Stick to the big stuff when you say no.
- Know when to fold (and if you can).

Examples

John

- City Manager suggested I look for another position in part because I was too often saying no to crazy development financing ideas (I stayed for many years after that Manager left).
- While I was likely correct on most issues, it is also probably true that the quick “no”s closed me off to options and alternatives
- It possibly saved me from hours of fruitless work, but it was damaging
- I have found out from painful experience that people sometimes come up with ways or examples that make it look like it is doable after you say it isn't practical

Examples

Brigitte

- Understand what it is they are trying to achieve.
- If answer is no, make sure you have the why.
- We can do this, but not that. Use it as an opportunity to reiterate policy and code limitations.
- Be open-minded. Look to advisors and colleagues for guidance and solutions.
- Be very clear as to what it will take to make it happen.
- Don't take it personally.

Examples

Carol

- Think outside the box.
- Include departments in your analytical process.
- Make sure you include Citywide impacts; some departments may not be aware of how they impact other departments.
- Be prepared to present financial best practices, policies, and legal limitations (Charter, State, etc.)

Helping to set priorities for decision- making

- It is often difficult for elected officials to set priorities for budget decisions or sound fiscal policy
- *How can the Finance Director or Budget Officer help a government to set priorities?*

Helping to set priorities

Discussion Statements

- Discussion and policy setting early to build up support and consensus to (good) decisions – both privately and publicly
- When possible, provide prioritized series of choices or listings of pros & cons:
- Find ways to remind that “we can do anything, not everything”
- Review the budgeting process being used to tweak for effectiveness of decision-making
- Provide context for decisions in terms easily understandable and memorable

Examples

Brigitte

- Major City Goal Process
 - > Provides clear direction to staff as to major goals for the Council.
 - > Include what you are already doing to further the goals.
- Make sure to outline all current services that staff provides.
- Outline needed trade-offs.
- Clearly outline what new initiatives can be afforded
 - > Not just fiscally; workforce as well.

Examples Brigitte



Examples

Carol

- Strategic Planning Vision, Mission and Goals set by City Council to guide financing requests
- Prepare Long Term Financial Plans showing fiscal transparency and potential future/current challenges
- Highlight key financial obligations are met; such as debt payments, CalPERS rising costs, or other Charter requirements

Examples

John

- Set expectations, issues and general direction in advance of the budget development – helps unrealistic expectations and get general direction
- Adopt plans that become a future budget unless changes
- Use of lists of budget approaches to allow elected to say yes or no or changes prioritization

Maintaining your reputation with a difficult budget

- A difficult budget process and results can lead to hard feelings, a damaged reputation, and reduced effectiveness.
- *What approaches to the budget process can help avoid this problem?*

Maintaining your reputation with a difficult budget

Discussion Statements

- Be trustworthy and ethical.
- Establish relationships.
- Be a problem solver.
- Establish a process and timeframe and follow it.
- Address the Managers' and elected officials' process concerns.
- Develop processes that guide the City Manager and Council in decision-making.
- Allow departments to make their case, support department's budget development, and don't surprise them with your comments.
- Avoid rigidity and inconsistency – a balance.
- Summarize the budget after adoption – take control.
- Involve stakeholders as appropriate.
- Adjust and improve.

Examples

Carol

Involving Departments

- Meet one-on-one with Departments to address fiscal concerns.
 - > Be prepared to present supporting documentation, such as fiscal reports to support adjusting budgets.
- Meet frequently with the City Manager to ensure that his/her and City Council's concerns are addressed.

Examples Carol

Adjusting a Fiscal Year Budget

- City changed its FY from Oct-Sept to July-June; adjusting FY 17/18 to nine months
- Every department's budget was reduced to accommodate nine months of expenditures
- I met with each department before adjusting their budget to explain my methodology of reducing each budget without impacting services; with the promise that if they were in trouble, we would meet to discuss
- Every department was able to work with the adjusted budget

Examples

John

Involving Departments

- During my hiring interviews by department heads - asked to address the City Manager not involving them in decisions or telling them what was going on
- I worked with City Manager to identify Manager's concerns, included departmental whining and concerns about confidentiality
- Design procedures that addressed those concerns and getting departments involved and informed
- Took several years to fully implement

Examples

John

Inconsistent Treatment Addressed

- Police chief miffed that a public safety item in both police and fire was funded in fire and police had to eat the costs
- Promised Police Chief in a private conversation that I would advocate to include funding next year and I did
- Police did not get funding, but my reputation and credibility were positively helped

Examples

Brigitte

Involving Departments

- Insert yourself early in discussion and don't wait until a funding need develops.
- I meet monthly or bi-monthly with each department head to discuss issues and upcoming needs.
- Work on being a partner, no just a service executer.
- Be and remain visible.

Examples

Brigitte

Safety Equipment Funding

- We had years of underfunding of safety equipment in our public safety departments.
- We found a way to re-appropriate liability funding to seed an equipment replacement fund.
- Adopted a policy for such a fund and committed to set aside funding annually to lessen the annual impact.

Questions and Comments

