

A hand in a dark suit jacket and white shirt points to a line graph on a grid background. The graph has several lines in purple, orange, and yellow, showing various trends. The background is a textured blue and purple grid.

Local Governments Respond to

FISCAL CHALLENGES

The economic struggles of local governments mirror those of the nation, according to a survey conducted by International City/County Management Association in September. Decreasing revenue from property taxes, sales taxes and new construction permits, along with sluggish sales of new and older homes, are all contributing to local government anxiety.

Many of the 339 city and county managers responding to the survey indicated that they are taking action to mitigate the effect of these declining revenues by freezing vacant positions (55 percent), reducing service hours (39 percent), sharing services with another local government (36 percent), and eliminating delivery of non-required services (34 percent). Almost 70 percent of local governments have increased or added user fees for

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services, and 40 percent are rescinding previously approved capital expenditures. Fourteen percent of respondents report that they have implemented a four-day work week for at least some local government employees. Thirty-five percent have increased the rates of those taxes that show a decline in revenue, such as sales, property, and utility taxes. Of the local governments that report increasing taxes, the property tax is reported by the highest percentage of respondents (59 percent).

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Reducing the frequency of service delivery is one strategy reported by several local governments. For example, the city of DePere, Wisconsin, has reduced brush and large-item pickup from weekly to six times a year.

Several local governments indicated that they have increased the employee contribution to the cost of health insurance premiums. One local government is requiring employees to contribute to the cost of premiums for the first

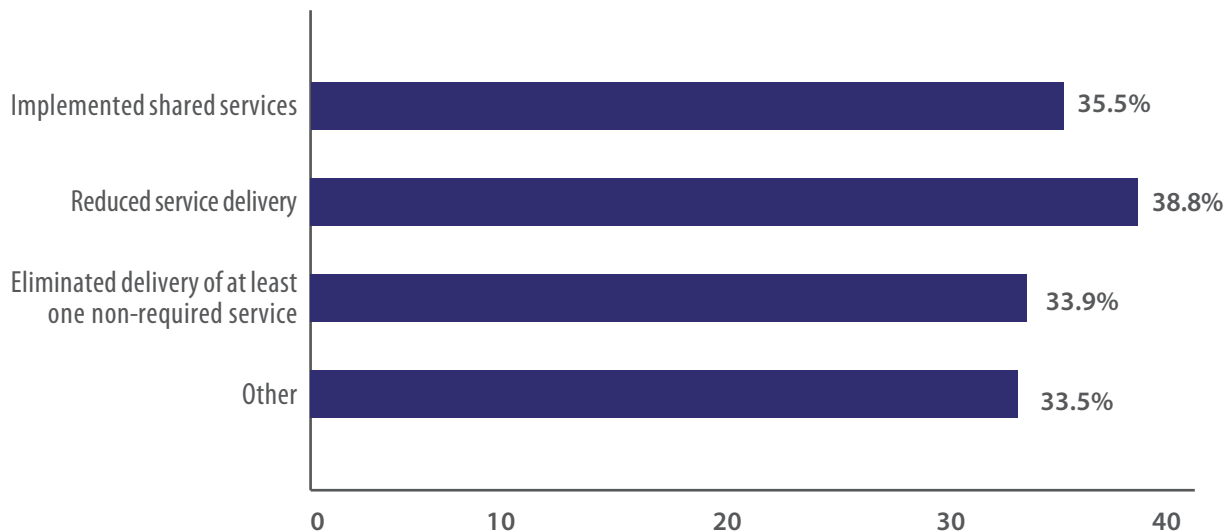
time. Another local government now offers only one health insurance plan instead of two, which is more cost-effective.

A growing portion of local governments are now sharing services (regionalizing). Some have been doing so for several years, even before the current fiscal challenges, as a cost-effective way of providing services. “The plethora of individual governmental units in New England makes shared services a necessity,” says Jeff Kobrock, city manager of Gardiner, Maine. “We could never provide the services alone.” He says shared services are good for everyone—residents receive better, more efficient services, and the government entity can refocus its resources in beneficial ways. Gardiner shares libraries, ambulance services, and wastewater treatment with neighboring communities. The recreation department, affiliated with the Boys & Girls Club, has been spun off into an independent 501(c)3, which has been very successful, he says.

The primary challenge with shared services is money, Kobrock says. The partnering local governments have a financial obligation, but some partners may leave because they decide not to spend the money. Another challenge is the numerous players. The greater the number of players, the more time it takes to work out the partnership.

When a local government is entering into a long-term agreement that involves capital

Which of the following steps has your local government taken to manage service delivery related fiscal challenges? (Check all applicable.)



Source: ICMA Survey, September 2008

investment, shared employees, or physical infrastructure, it's critical to have a binding agreement, advises Sudbury town manager Maureen Valente. If a local government decides to share a lockup facility with a neighboring town rather than build a new one, there has to be a guarantee that in the next year or two, the neighboring town won't renege.

Sudbury has shared a sewage plant with Wayland for many years. The arrangement saves money, protects the local aquifer, and provides a public health monitoring function. Because it's a fee-based service, there are not the revenue and funding issues that can arise in other shared service situations. One challenge is the employees, because they must be employed by one of the local governments—not by the sewage plant. This raises issues of pay and benefits and supervision. Contracting out operations and management of the shared service may eliminate these concerns.

Leon Gaumond, town manager in West Boylston, believes that regional approaches to service delivery can improve service efficiency and effectiveness even if there is not a significant reduction in cost. When Gaumond heard that the neighboring town of Sterling was looking for a building inspector, he explored the possibility of sharing one because it was an opportunity to get shared service experience. He and Terri Ackerman, the town administrator

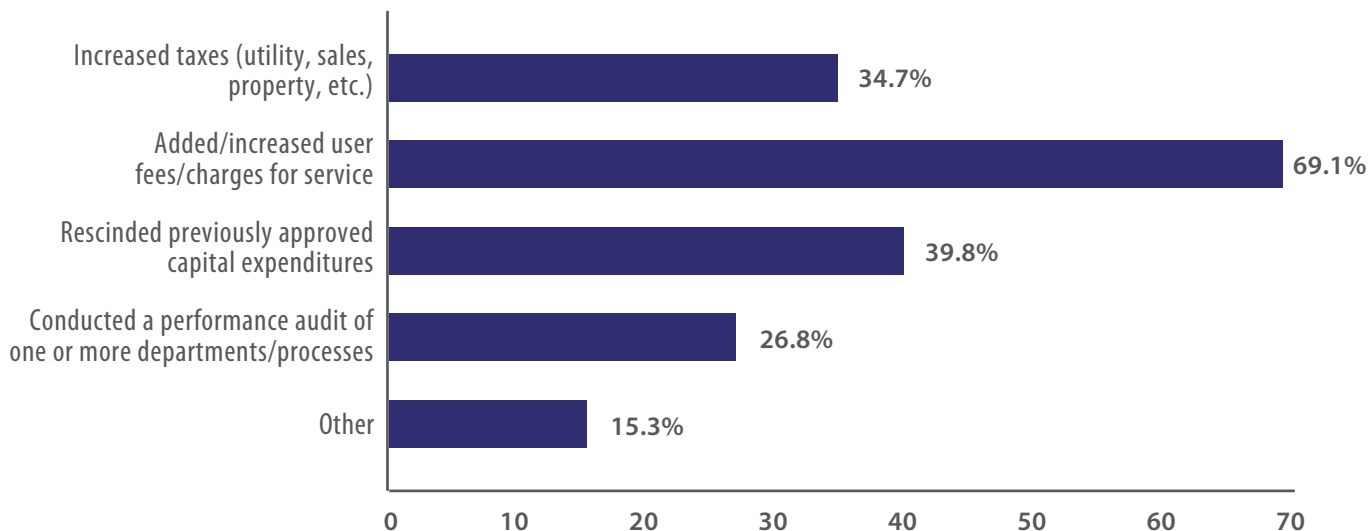
in Sterling, discussed the opportunity and presented it to their respective boards. They began the shared service this past summer.

Starting with a small-scale shared service is a good approach when it is the first time local governments have entered into a shared service agreement. Gaumond, whose town anticipates a shortfall next year of 5 to 7 percent, hopes that shared services may help New England local governments with budgeting challenges.

Although some local governments report that they are trying four-day work weeks, only 23 percent report that fuel savings for the local government was the motivation. A slightly higher portion (26 percent) indicate that fuel savings for employees was the primary motivator. Several local governments report a four-day work week as a useful retention and recruitment tool. One local government has changed its work week and office hours to Monday through Thursday, 7 a.m. to 6 p.m., which has resulted in a 20 percent savings on utilities. Other local governments report closing nonessential offices one day per week.

As economic challenges continue to confront local governments, their residents and their businesses, the ICMA is seeking information on creative strategies being implemented in response. If you have programs that you would like to share, please send descriptions to emoulder@icma.org.

Which of the following steps has your local government taken to manage revenue-related fiscal challenges? (Check all applicable.)



Source: ICMA Survey, September 2008