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# Strategic Financial Planning and Communication

**MMANC in Yosemite**

**Yosemite, California**

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# AGENDA

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- Meet the Presenters
- Introduction to Financial Planning
- Labor Relations Fundamentals
- Hypotheticals and Group Discussion

# Meet Bill Lindsay!



Retired City Manager, City of Richmond

# Introduction to Strategic Financial Planning

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- Inform strategic policy decisions, such as establishment and maintenance of cash reserve levels and debt management
- Introduce life-cycle and multi-year impacts into the budget decision-making process
- Provide multi-year operational stability in an organization
- Evaluate long-term impacts of current decisions and policy proposals (e.g. tax and spending proposals)

# Fundamentals of Labor Relations

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- Duty to Meet and Confer – Gov. Code §3505
- Agencies Must Bargain to Impasse and Exhaust All Impasse Resolution Procedures Before Implementing
- Generally, No Unilateral Adjustments are Permissible if the Labor Contract is Closed
  - Re-openers?
  - Fiscal Emergencies
- PERB Oversight Creates Additional Challenges

# HYPOTHETICAL ONE

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## Strategic Financial Policymaking

# HYPOTHETICAL ONE

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- Municipalities are often faced with difficult budgetary decisions in a down business cycle that involve significant short term service cuts and employee layoffs.
- These difficult decisions were common in the Great Recession that began a decade ago.
- Service reductions can undermine public confidence and cause long-term harm to employer-employee relations, while a budget imbalance can also undermine confidence and have a negative impact on credit ratings
- There exists a strong desire to adopt a balanced budget in the short term, but there is also the understanding that, when the economy recovers, services can be restored and employees can be rehired.

# HYPOTHETICAL ONE

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Assume that you are the manager of a city facing the prospect of severe budget cuts and service reductions. Your city has operating reserves that are approximately 30% of your annual budget. Your status quo operating budget projection shows an approximate 15% deficit, which cannot be eliminated without significant budget cuts that will lay off 10% of your work force.

A. What should you advise the City Council about the current year budget? Should you advise them to make the short term cuts to balance the budget or utilize some portion of operating reserves?

# HYPOTHETICAL ONE

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Assume that you are the manager of a city facing the prospect of severe budget cuts and service reductions. Your city has operating reserves that are approximately 30% of your annual budget. Your status quo operating budget projection shows an approximate 15% deficit, which cannot be eliminated without significant budget cuts that will lay off 10% of your work force.

**B. If reserves are recommended to be utilized to bridge this budget gap, what amount might be prudent to use? What factors go into this recommendation?**

# HYPOTHETICAL ONE

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C. What are some other important factors that will go into this decision-making process?

# HYPOTHETICAL TWO

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## Labor Relations During Strained Times

# HYPOTHETICAL TWO

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It is axiomatic that strained financial circumstances will result in strained employer-employee relations, especially in a highly charged political environment.

# HYPOTHETICAL TWO

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- Labor unions may express skepticism regarding the financial information that is being presented to the Council. They may assert that management is exaggerating the financial circumstances.
- Union leadership is stressing that, if cuts are needed, the City Council should “cut at the top,” with management needing to bear the burden of budget cuts and layoffs, rather than union members.
- Management may be seeking significant wage and benefit concessions from labor, and some contracts may be “closed,” preventing collective bargaining without initial concurrence with unions, which by itself may have long-term financial consequences.

# HYPOTHETICAL TWO

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Building on the situation described in Scenario 1, what labor relations strategies might be used as part of this difficult strategic budgeting process?

# HYPOTHETICAL THREE

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## Multi-Year Financial Planning

# HYPOTHETICAL THREE

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In the strategic financial management scenario previously described, multi-year financial planning and modeling can play a key role in decision-making. Even in the current favorable economic climate, cities are facing severe budget stresses, especially due to long-term PERS and OPEB obligations.

A. What are some important attributes of a financial model that can be useful for strategic financial planning?

# HYPOTHETICAL THREE

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In the strategic financial management scenario previously described, multi-year financial planning and modeling can play a key role in decision-making. Even in the current favorable economic climate, cities are facing severe budget stresses, especially due to long-term PERS and OPEB obligations.

**B. What are some of the key financial assumptions that need to be addressed in financial forecasts?**

# HYPOTHETICAL FOUR

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## Communications with the Public and the Press

# HYPOTHETICAL FOUR

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- Effectively communicating budget decisions to the public and to the press is important to stakeholders and, especially, to the City Council.

What are some effective ways to explain to the public what goes into an often times complicated budgetary process, especially during times of economic stress?

# HYPOTHETICAL FIVE

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## Crises and Communication

# HYPOTHETICAL FIVE

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- As City Manager, you recommended serious reforms in your Police Department, and hired an outside, openly gay, progressive Police Chief. You convinced the City Council to increase the police budget, for personnel, capital improvements and new equipment. One year later, you are blindsided by serious charges of racial harassment and discrimination. Nearly all of the Chief's African-American command staff have joined in the lawsuit. One afternoon, you are bombarded by press inquiries.

# HYPOTHETICAL FIVE

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- What is an effective press strategy under these circumstances?
- Should you speak substantively with the media, or simply say “no comment.?”
- What are the pros and cons of hiring a public relations person to coordinate and handle the media?
- How should you communicate with City personnel in an effort to maintain morale and productivity?
- In light of the exorbitant cost of the litigation, should you recommend settlement?

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**QUESTIONS AND THANK YOU!**