

Responding to the New Realities: Case Studies in County Governance

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Executive Summary

Introduction

The housing market crash and concomitant recession have left counties across the country struggling to solve fiscal crises. Many people believe that these events mark a turning point in terms of how counties can and should conduct business, creating a “new normal.” This report describes how a select group of counties attempted or are in the process of making structural changes in order to better face current and future challenges. The stories offer several lessons learned in terms of the impetuses, goals, and outcomes of their respective reforms. Additionally, it is possible to see which strategies appear to be the most effective in achieving change. Several important themes emerged from the cases, such as the importance of focusing on long-term benefits and fostering a culture of continuous improvement; the increasing public expectations for accountability and transparency; and the growing role of counties as regional economic development leaders. As such, NACo hopes this study provides useful insights to other counties seeking to adapt and thrive in the new economy.

Methodology

Standard qualitative research techniques were used in this study, which includes nine long and two short case studies of counties from across the country. The research was conducted in partnership with the Center for the Study of Counties at the University of Georgia (UGA). UGA faculty conducted interviews with county officials (e.g., commission chairs, county managers, department directors) and community leaders who were key players in the reform efforts. Additionally, faculty read and reviewed reports, proposed and enacted legislation, charters, budgets, news articles, etc., as part of their research.

The cases were selected to reflect diverse reforms as well as demographics. Of the 11 cases, 1 comes from a Mid-Atlantic state (PA), 2 from the Northeast (NY and ME), 2 from the South (TN and GA), 4 from the Midwest (IN, KS, OH, MI), and 2 from the West (NV and OR). The county with the smallest population is Bibb County, GA, with 155,547 people, while the largest is Cuyahoga County, OH, at 1,280,122.¹ In total, 7 of the cases had populations under 500,000, which may indicate the ability of small to mid-sized counties to enact change.² In terms of racial diversity, the cases were less diverse than the nation as a whole, although a few cases have substantial racial diversity (i.e., Bibb County, GA; Cuyahoga County, OH; and Shelby County, TN). Poverty rates ranged from a low of 5.3 percent in Johnson County, KS, to a high of 22.4 percent in Bibb County, with the average rate being 13.3 percent, approximately 1 percent less than the national average (14.4 percent).³

The long cases are grouped into three general areas of reform, with three cases in each section:

1. Charters that established a new form of government
2. City-county consolidation
3. Major county reorganization

¹ 2010 Census. www.census.gov.

² These cases are not representative of the population of counties throughout the nation. Thus, this statement is the author’s supposition, not a statistical outcome.

³ American Community Survey, Individuals in Poverty. www.census.gov.

The two short cases concern charter changes; one county (Lane County, OR) undertook minor amendments while the other (Cumberland County, ME) adopted a charter for the first time. In Cumberland County, the charter kept the current form of government but included some key reforms.

Please note that this report uses generic names for commissions and committees, particularly in the case summaries. For example, states differ in the specific title given to their county commissions, but “county commission” is used universally here.

Case Study Summaries

Three of the report’s long cases involved establishing a new form of government through referendum. Of these, two involved creating an elected executive while a third established a council-manager form. Prior to the new charters, all three counties operated under their respective general law for counties: a commission form with several elected row officers.⁴

Cuyahoga County, OH

In November 2009, voters overwhelmingly approved (66%) a new charter for Cuyahoga County, establishing an elected executive–council form of government. Many, including some who had worked for the county, felt that the large number of row officers under the previous form of government created inefficiencies because each elected department head developed his or her own administrative systems. Furthermore, the structure made budget planning difficult since those department heads could amend their budgets once they were passed by the county commission. However, changing the government’s structure was seen as difficult because of entrenched political interests. Attitudes shifted in the wake of a corruption scandal in summer 2008 involving the county auditor and a county commissioner. Government reformers saw the scandal as an opportunity to establish a new charter focusing on accountability and economic development. In addition to creating an elected executive position, the charter called for an 11-member council and reduced the number of elected row officers to just one—the county prosecutor. Furthermore, the charter called for the county to become a leader in economic development. Leaders in the reform movement admit that the public’s frustration with the corruption was a big impetus for the charter’s victory, but they also believe that a new form of government would be best for the county in the long term. Because the charter established a transition process, required county staff support, and provided a sufficient amount of time between the charter’s approval and the start of the new government, the transition went well. Reform leaders also created a transition organization that included more than 1,300 citizens and experts from both the public and private sectors. The elected executive was voted into office in November 2010 and took office January 1, 2011. So far, the feedback regarding his work and the new government has been very positive. He has taken actions to improve the government’s transparency and ethics and has made concrete steps to promote economic development. The charter mandates that the county reduce operating costs by 15 percent to fund economic development initiatives, but this goal has been somewhat difficult to achieve since much of the

⁴ Elected row officers are department directors elected independently of a county commission. The positions can be mandated in a state’s constitution or established in statute. The term row officer connotes the position on an organizational chart, i.e., a row of departments. States vary in the number of elected row officers, but common ones include sheriff, controller or treasurer, prosecutor, and tax commissioner or property tax assessor.

“low-hanging fruit” has been cut. Nevertheless, the executive’s staff members are confident they will be able to achieve this goal in the near future.

Luzerne County, PA

Prior to adopting a county manager–council form of government, Luzerne County was experiencing serious financial problems, relying on ever increasing short-term borrowing to balance its budget. Furthermore, understanding and controlling the budget was difficult as each of the government’s 11 elected row officers managed a separate budget allocation with its own financial systems. This financial crisis was compounded by a series of fraud scandals involving the court of common pleas, a former commissioner, and local school officials. In May 2009, the public voted to create a government study commission, which found that the county could be made more responsible, accountable, and efficient under home rule. The members also cited specific problems with the government related to a lack of transparency and opportunity for public input as well as too much political influence in daily administration. To address these issues, the study commission drafted a charter creating a professional manager–council form of government and retaining only two row officers: the controller and county prosecutor. The new charter also included several provisions to encourage public participation and transparency and enhance ethics. In November 2010, voters approved the new charter (55%). The county is currently in transition, with the new council taking office in January 2012. However, the transition committee has found the completion of their tasks (e.g., developing new policies, drafting ordinances, etc.) to be somewhat difficult due to a lack of personnel and budget information created by the fractured financial data systems and resistance of some county personnel.

Macomb County, MI

Unlike the previous two cases in which scandals were the driving forces in the charter movements, no single event precipitated the charter campaign in Macomb County. Rather, it was the perception that the existing form of government was outdated and inefficient. The new charter called for an elected executive–commission form of government, reducing the size of the legislative body from 26 to 13, and abolishing the county’s road commission. Charter advocates believed that reducing the size of the commission would help streamline the legislative process, while changing the road commission to an executive appointed department director would increase accountability and efficiency. Supporters believed that an elected executive would result in increased accountability, transparency, efficiency, and influence for Macomb County in the tri-county region and with the state legislature. Also included in the charter were several mandated departments and the existing five elected row officers. Voters approved the new charter in November 2009. However, because the charter did not include provisions for a transition process, it could not take effect until the new executive was elected the following year. Therefore, the transition team had just six weeks to prepare for the new government, which began in January 2011. Although the new government is generally perceived as functioning well, there has been some concern that the executive has not been able to garner more savings from county operations as hoped. The executive cites the lack of flexibility in the charter as one of the major obstacles to finding cost savings, but he continues to research more options and plans to include more cost-saving reforms in the upcoming budget.

Three additional cases involved city-county consolidation attempts. As with other consolidation efforts, the main reasons for the campaigns in these counties were to increase efficiency/reduce spending and spur economic growth. Another similarity among the three counties is that consolidation had been tried previously, which is not unusual considering that at least three consolidation referendums typically are attempted before voters eventually pass a measure.

Bibb County, GA

Bibb County has attempted consolidation multiple times with its largest city, Macon, since the 1920s. The current county commission chair and Macon's mayor both support consolidation, as do several members of the county commission and city council. Proponents believe that a consolidated government would not only bring the benefits mentioned earlier but also result in a more efficient governance structure since the elected legislative body would be smaller than the current Macon City Council, which has 15 members. The latest consolidation attempt was not driven by a grassroots or even local government effort but rather by the county's state legislative delegation. Two consolidation bills were introduced in the 2011 legislative session, one by a Democratic senator and the other by a Republican assemblyman. Although the bills had several commonalities, there were five main differences: size of the commission (9 vs. 11), power of a mayor-appointed administrator (strong vs. limited), type of election (partisan vs. nonpartisan), role of the sheriff in law enforcement (patrol vs. constitutional responsibilities⁵ only), and degree of budget restrictions during the first five years after consolidation (i.e., level of mandated budget cuts). The two bills passed in their respective originating legislative body but failed in the other body, and no referendum was held. Local officials expressed frustration with what they perceived as the legislative delegation's unwillingness to compromise. Furthermore, local officials were concerned that the lack of public input in the process might have doomed the effort had a referendum actually occurred. The county legislative delegation has expressed its intention to propose legislation again during the 2012 session, and there is a fairly high level of certainty among local officials that city-county consolidation will occur in the near future.

Shelby County, TN

Shelby County's latest consolidation attempt emanated from an effort by the then county mayor (now mayor for the City of Memphis), who conducted a series of "listening tours" in 2009 to learn what the public would want from a consolidated City of Memphis–Shelby County government. Following these meetings, the county commission and the Memphis City Council both approved resolutions to create a charter commission. The reasons supporting consolidation included those stated earlier, particularly in regard to cost savings since the two governments have the highest combined property tax rate in the state. Citizens, especially those outside Memphis, had several concerns with the unified government, which the charter commission attempted to address. Because one of the largest issues centered on whether the city and county school systems would be consolidated, the charter included a provision preventing this action unless approved through a separate referendum. The charter was completed in August 2010, leaving proponents only a few months to educate citizens and dispel misunderstandings about the proposed government before the November election. This short time frame was important because state law requires majority approval in two separate elections in order for consolidation to pass: one in the major city (i.e., Memphis) and one outside the major city. The charter passed

⁵ In Georgia, the sheriff's constitutional responsibilities include managing the jail, courthouse security, and issuing warrants.

in Memphis by 51 percent but was strongly rejected outside the city, with 85 percent voting no. Since the election, the Memphis school board voted to relinquish its charter, forcing consolidation with Shelby County Schools. State legislation passed in 2011, creating a new, merged school board and a transition team. The impact of a consolidated school system on a future city-county consolidation attempt is unknown as several issues, including school funding, are still unresolved.

Vanderburgh County, IN

Even with 12 already-consolidated services, residents of Vanderburgh County and the City of Evansville have discussed, studied, and voted on consolidation (referred to as reorganization) for decades. One important movement in support of consolidation occurred in 2006, when the state passed the Government Reorganization Act outlining the process for city-county reorganization. In fall 2009, the local chapter of the League of Women Voters led a petition drive asking the county and city to approve resolutions that would create a reorganization committee. The need to improve efficiency is viewed by many proponents as particularly important because of local property tax caps that state voters approved in 2010. Although the two governments financially supported the committee, no elected officials sat on the committee. Furthermore, elected officials did not provide much direction as to what the charter should include, which made the process more labor intensive and somewhat more difficult. The plan-building process itself was very open, and citizens were given opportunities for input. Areas for the proposed government that were most debated included whether to adopt a strong mayor or manager, type of election, number of council districts, and whether to have a police department in addition to the sheriff.⁶ After completing the reorganization plan, the committee presented the document to the county commission and city council. According to state law, both the county and city may amend the plan, but both legislative bodies must approve the same version of the plan in order for it to be presented to voters. After holding several public meetings, the elected officials agreed upon changing two of the charter's provisions: expanding the number of council districts from 11 to 15 and keeping the City of Evansville Police Department for at least 10 years. The county and city approved the new reorganization plan in September and October 2011, respectively. Since the charter referendum will not be held until November 2012, there is ample time to educate voters about the proposed government and to address voters' concerns. Those interviewed for the case study are optimistic about the reorganization's chances for success.

The remaining three long cases concern major reorganizations. Rather than attempt fundamental changes to the form of government, these case studies focused on reforming organizational structures and service delivery processes in order to become more economical, efficient, and productive. For these three counties, fiscal stress in the form of reduced property valuations and tax collections since the recession was a motivating factor for the reforms. However, officials agreed that the changes were part of a larger goal of ensuring lasting financial health of their governments. The reforms centered on a specific financial goal as well, which helped with the evaluation of proposed changes and garnered support for them.

⁶ The reorganization committee presented a plan with a council-manager form of government, partisan elections, 11 council districts, and the sheriff as the sole law enforcement entity.

Dutchess County, NY

In addition to the fiscal stress caused by reduced property valuations, the county has faced increased demand for social services, which it provides and for which it contributes 25 percent of the funding. To balance the FY 2011 budget, the county's elected executive made it his goal not to raise property taxes. This decision left budget reductions as the only option. Having created a culture based on long-term thinking, the county's elected executive had for several years instituted several practices such as maintaining a strong fund balance and using evidence-based models for policy making. This position gave him credibility with legislators and the public and allowed him to propose cost-saving reforms that would not have been politically acceptable during healthy economic times. The budget proposal included a wide variety of changes such as consolidating departments, outsourcing selected services, eliminating staff positions (some of which were outsourced), upgrading information technology, and instituting insurance premiums for elected officials and managers/confidential employees. Although the proposed changes did cause anxiety for some employees, the executive reassured them that reforms were needed and were important for both short- and long-term savings. County commission members did not agree with all of the executive's proposals but did agree with his overarching goal of not raising taxes, and they ultimately passed most of the proposals in whole or in part. Overall, the executive and his staff believe that the reorganization effort was successful and attribute it to creating a culture of fiscal responsibility and honest communications with legislators, employees, and the public.

Johnson County, KS

The latest reorganization effort is one of a series of reforms the county has undertaken to reduce costs over the last few years. The county manager decided to restructure the workforce in order to create a fiscally sustainable and effective government over the long term. His goal is to reduce the workforce by 15 percent without layoffs. For the last three years, the county has reached workforce targets by instituting a hiring freeze, using attrition, and trying to fill vacant positions with employees whose positions may no longer be needed due to efficiency gains. To help with this effort, the county hired an outside consultant to study opportunities to consolidate departments, improve manager-employee span-of-control ratios, outsource or share services with other governments, and institute managed competition. The consultant offered 34 recommendations, including centralizing support functions, consolidating departments, expanding use of electronic documents, and enlarging the span of control in several departments. After receiving the consultant's report, the county manager created study committees to analyze the recommendations. Each committee included a member of senior management, persons with expertise in the affected area, and directors of the finance and human resources departments. The group reviewed the implementation of accepted recommendations. Officials recognize that implementation of recommendations involving one of the county's elected row officers or independent boards may be difficult; however, the manager has received cooperation from these departments in the past and is optimistic. The reforms are scheduled to be implemented over a two-year period. Engaging employees has been a serious concern for the county manager, but he regularly communicates with them about the progress of the reforms as well as the importance of the changes for the long-term benefit of the county. Like the executive in Dutchess County, the manager believes in being truthful with employees. The county commission has been very supportive of the reform efforts; members recognize the need to be practical and that organizational changes can occur throughout the year, not just as part of the budget process. The

county has made significant headway in reaching its workforce reduction goal, having eliminated 343 positions since FY 2010, with another 147 eliminations anticipated by the end of FY 2012.

Washoe County, NV

With a culture of progressive action, the county has faced head on the severe fiscal challenges of the recession. Per its spending priorities developed in 2001, the county reduced its operating budget by \$154 million and its workforce by 20 percent from FY 2008 to FY 2012. This objective was accomplished with a highly unionized workforce that has been very supportive of management's efforts, even agreeing to pay cuts and increased insurance premiums. Recognizing that more reductions would be needed in the future, the county hired an outside consultant to conduct a comprehensive organizational review. The goal for this latest effort was to achieve \$5 million in savings the first year, increasing to \$15 million annually. The consultant was selected by a county advisory board that assists the government in recommending how to implement best private-sector practices. The county manager felt that by including this group in the decision process, the government would get support from the private sector when it came time to accept and implement recommendations. The study focused on staffing and compensation, business processes, service delivery, and an "other" category. In all, the study included 64 recommendations that were ranked based on the level of control the county had over implementation (i.e., commission had sole authority, elected row officers or an independent entity such as another government or union was involved). The manager employed the county's Strategic Planning Committee to develop evaluation criteria and prioritize the recommendations. The committee received assistance from a technical advisory committee composed of employees with specialized training to help with the evaluations. The manager also created a committee to analyze how the proposed reforms would be implemented and to measure projected costs and savings. The county commission has approved several recommendations for implementing the reforms and studying their feasibility. Feasibility analysis is viewed as particularly important for those items deemed more controversial and/or difficult to implement. Like the executive leaders in Dutchess and Johnson Counties, the county manager has spent considerable time discussing the reform process with employees, which has helped reduce resistance to the reforms. Responses to a survey conducted as part of the organizational study showed that many employees support the changes the county is now undertaking, such as consolidating departments. Although the initial savings have not been as high as originally hoped, the county manager believes that the reforms will improve the productivity and efficiency of the government over the long term.

The two short cases demonstrate that less dramatic structural changes are important as well. Cumberland County's (ME) new charter kept the same form of government but made key improvements. The county commission voted to create a charter commission in 2008. The group worked for nearly two years to write the charter, submitting the document to the county commission in 2010. Changes to the government included increasing the county commission's size from three to five members in order to make the body more representative, eliminating two of the six elected row officers, specifically assigning administrative duties to the county manager (including those for the remaining elected row officers), and raising the county's borrowing limits from just \$10,000 to over \$4 million. Even though there was little organized objection to the charter, the county commission still held several public hearings on it. The charter passed easily, with 60 percent of voters approving it in November 2010.

Also in November 2010, Lane County, OR, voters passed charter amendments that clarified the ability of the county commission to reorganize the county government and delegate authority to the county manager. In that same election, voters also approved creating a charter committee. The amendments were seen as preventative in that the commission wanted to ensure there would not be legal objections to a major government reorganization if one were deemed necessary due to projected budget shortfalls (reorganization ultimately was not proposed). The charter committee studied many different provisions but eventually presented seven specific recommendations to the county commission, none of which changed the county government structure.

Themes from Lessons Learned

For each of the case studies, interviewees and the researchers offered interesting and thoughtful lessons learned to assist other counties that may be considering structural change. Similarities were found among several lessons, suggesting their wider applicability. The themes reflect leadership philosophies and possible trends in public opinion and governance that county officials may want to consider as they move forward in the new economy.

1. Reform in Order to Thrive over the Long Term

County officials and/or proponents of change want their respective county not just to survive the next budget cycle but also to thrive over the long term. There were repeated assertions that the reforms were about creating lasting benefits for the counties. The Dutchess County elected executive has challenged his staff for years to think long term politically, culturally, and attitudinally. In Johnson and Washoe Counties, county managers specifically mentioned that their governmental reorganizations were about creating financial sustainability by implementing structural and service process changes that would result in cost savings over several years. Proponents of city-county consolidation cited benefits that would extend over many years, such as increased efficiency, financial sustainability, a revitalized community, and economic growth. Likewise, the charter campaign in Cuyahoga County focused on moving the county forward economically, while in Macomb County, reform resulted from recognition that the current form of government was outdated.

2. Create a Culture of Continuous Improvement

Elected executives and county managers who were interviewed stressed the importance of creating a culture of continuous improvement and in doing so, reducing resistance to change from employees and the public. In other words, reform can become a cultural norm. Surveying employees and the public, undertaking independent reviews by outside consultants, and receiving input from advisory boards and transition teams were examples of actions that county leaders undertook in their efforts to improve operations. County managers in Washoe and Johnson Counties regularly conduct surveys as a form of feedback to learn how their governments can improve and then take action if necessary.

Several case studies involved charter reviews either as mandated in the charter (i.e., Lane) or the proposed charters. In those cases in which a new charter was written (e.g., Cuyahoga, Macomb, Shelby Counties), the reviews represented recognition of two issues: first, the charter authors may not have drafted the document perfectly and therefore it would likely

need to be “tweaked,” and second, because a government’s needs change over time, the charter should be studied to ensure it comports with new circumstances. This latter issue was central to the Lane County case. Government officials realized that the charter contains some ambiguities that should be clarified in order to avoid future problems. Furthermore, the charter would benefit from a comprehensive review to ensure that all of its provisions were still relevant. Although the charter commission ultimately decided against recommending major changes, having this deliberative process was deemed useful.

3. *Increase Accountability through Centralization of Authority*

A few of the cases (i.e., Cuyahoga, Macomb, and Luzerne Counties) reflect a push toward centralizing executive leadership. The belief is that centralization would result in increased accountability to the public, better control of spending, and easier implementation of efficiency reforms. The distribution of power over the budget and administration among several elected officials was seen in some instances as hindering effective financial planning and resulting in decreased efficiencies. Furthermore, proponents of an elected executive/professional manager argued that the position would allow the government to speak with a single voice in promoting economic development projects and would promote growth.

The consolidation campaigns were about centralizing authority in a single government based on the belief that a combined city-county government could control spending, increase efficiencies, boost the political voice of the region, and better promote economic development by being a “one stop shop” for businesses. Additionally, in all three of the consolidation cases, the proposed charters called for a strong mayor or a mayor with a strong administrator.⁷ However, it should be noted that some consolidation opponents in Shelby and Vanderburgh Counties were concerned that a metro-government mayor would have too much power.

This push for accountability and centralization of authority was also apparent among governments that created new charters reflected in their treatment of elected row officers.⁸ Eliminating these positions was viewed as a way to better control administrative costs. Cuyahoga and Luzerne Counties abolished all but one or two of their elected row officer positions, not only to control costs but also to improve accountability and transparency, as these were viewed as particularly important in light of the financial corruption scandals that had occurred in these counties. Cumberland County eliminated two of its six elected row officers (the remaining four were mandated in the state constitution). Cumberland County’s charter also increases budget control and efficiency by assigning more administrative authority to the county manager. Johnson County’s charter, approved in 2000, eliminated three elected row officers. The manager said he worked well with the remaining officers, including during the budget process.

4. *Pay Attention to Public Demands and Expectations*

⁷ Shelby and Vanderburgh Counties each called for a strong mayor. In Bibb County, one bill created a strong mayor and another for a strong administrator serving under a mayor.

⁸ The elected row officers in the charters for Bibb, Macomb, Shelby, and Vanderburgh Counties are mandated under either the state constitution or state law.

Being out of touch with the public can easily result in failed reform efforts. Holding open meetings that encourage public participation during the charter-building process was viewed very positively by those interviewed for the consolidation cases in Shelby and Vanderburgh Counties, while the lack of public input was seen as a weakness in the Bibb County case. In fact, some officials posited that a consolidation referendum in Bibb County might have failed due to the lack of public input. To garner support for their proposed charters, proponents from Luzerne, Macomb, and Cumberland Counties held several public meetings. Washoe County has been able to severely cut its daily management budgets while maintaining high levels of support from residents because it instituted spending priorities that were verified through public surveys.

The Shelby County case also offers a note of caution; it illustrates that *trying* to meet public expectations and *successfully* meeting them are two very different things. Although the charter commission worked to address the concerns of residents outside the City of Memphis by including several specific provisions, it was not enough to overcome these residents' wariness and outright objection to consolidation.

5. *Take the Lead in Economic Growth*

In several cases, adopting the new form of government was promoted as a means of increasing the role of the county in economic development and spurring economic growth. Cuyahoga County's charter specifically states that the government is primarily responsible for the promotion and enhancement of economic well-being and the prosperity of the county and all its residents. This role was new for the county, as it historically had not been heavily involved in economic development efforts. Instead, the county and the cities had viewed the City of Cleveland as the main driver of growth, but as that city's influence waned, no other entity had taken its place. Similarly, Macomb County, with its new charter, wanted the county to have more of a say in economic development. Proponents for city-county consolidation in Bibb, Shelby, and Vanderburgh Counties believed that having a metro-government would spur economic growth and be more effective in economic development efforts by speaking with one voice for the area, removing city-county competition for businesses, and offering a "one stop shop" for business licenses and permits.

Fostering regionalism was also seen as an important role for counties. Interviewees from Cuyahoga County discussed how the county could play a role in bringing cities together, helping them combine services for greater efficiency. Washoe County has a long history of working with cities to provide services regionally and has recommendations for furthering this effort in its comprehensive organizational review. With the additional authority allowed in its new charter, Cumberland County also hopes to expand regional service delivery opportunities and thereby increase efficiencies on a countywide basis.

Passing and Implementing Reforms

The individual cases include lessons on how to improve the process of structural reform and/or foster its passage.

1. *Match the Reform to Needs*

As can be seen from the brief summaries, progress appears to be significantly based upon the type of structural change sought. The degree of change, combined with environmental factors, seems to either support or hinder the reform. This finding offers an important note of caution in that counties need to fully appreciate the complexity and severity of change and match it to the intended goal. Comprehensive reorganization does not amend the structure of a charter, but it can make large differences in the form and level of service delivery. If planned appropriately, efficiencies can be more quickly realized and support more easily garnered.

In contrast, the greatest structural change occurs with consolidating city and county governments to create a regional government. State law can require a lengthy review process (e.g., Vanderburgh County) or significant thresholds (e.g., Shelby County) to ensure a wide level of public support. Furthermore, because the reform is so dramatic and involves establishing a new identity for community members, many citizens are wary of supporting consolidation, at least initially. This type of reform may be very beneficial for a community over the long term, but it is probably inappropriate for solving short-term problems.

To create a new form of government for the county, reform can come relatively quickly but may require additional impetuses from outside. For governments in Cuyahoga and Luzerne Counties, reformers used corruption scandals as opportunities to advance change. Had those unfortunate acts not occurred, the new charters might not have been adopted. Likewise, in Cumberland and Lane Counties, citizens were not required to accept a totally different form of government but rather to improve those areas that were deemed insufficient or that would benefit from improvement. The referendums therefore passed easily.

2. *Communicate throughout the Reform Process*

During crises like the fiscal situation many counties are currently facing, leaders who are confronted with a multitude of challenges may forget to communicate with the public and their employees. However, buy-in from both groups is important in order for reforms to succeed. For consolidation, having sufficient time to educate voters about the charter is viewed as critical to the potential success in Vanderburgh County but is seen by some as the reason for failure in Shelby County. In the three reorganization cases, county managers and elected executives stressed the importance of communicating with employees about reforms in order to reduce anxiety and garner support. The officials believed that it was worth taking the time and effort for presentations, e-mails, Webcasts, etc., because it is far less difficult to implement organizational change when there is open communication.

3. *Seize Opportunities*

Opportunities for major change do not occur regularly. Astute leaders therefore need to take advantage of them when they arise. The reform movements in Luzerne and Cuyahoga Counties are perfect examples of reformers seizing an opportunity for change by capitalizing on the public's frustration with their government officials. Due to entrenched political interests, it would have been difficult for the charters to pass in either county had the corruption scandals not occurred.

The recession itself can be seen as an opportunity for reform. Rather than continuing with the status quo, leaders in Dutchess, Johnson, and Washoe Counties used fiscal stress not only to solve immediate budget shortfalls but also to reform their organizations with lasting efficiencies (see the first theme, *Reform to Thrive over the Long Term*).

Conclusion

This report discusses the 11 case studies in more depth in order to provide additional information about structural change in each county. The cases end with their own set of lessons learned, some of which are incorporated into the themes or reflect an individual situation. Each lesson can offer important insights that may be overlooked by busy county officials.

Cuyahoga County, OH: A New Charter for Thriving in the New Economy

Population	1,280,122
Race: White	63.6%
Race: Black	29.7%
Ethnicity: Hispanic ¹	4.8%
Median Household Income ²	\$42,562
Bachelor's Degree Attainment	27.7%
Poverty Rate ³	16.9%

Source: U.S. Census Bureau, 2010 Census and 2007–2009 American Community Survey

1. Can be either white or black

2. Adjusted to 2009 dollars

3. Individuals living in poverty

Introduction

Seeing a political scandal as an opportunity to move Cuyahoga County forward, reformers created a new charter that included a provision mandating that the county government become the area's leader in economic development. The charter passed with nearly 66 percent approval, and its first executive was elected in November 2010. The new government is facing challenges to move the county forward economically while internally reorganizing to reduce costs and rebuilding the public's trust. Although the changes are just beginning, community leaders are encouraged that the county is headed in the right direction and can be the economic development leader the region needs.

Background

The need for strong leadership is high in Cuyahoga County, as the area is facing serious economic and social challenges, including declining population, increasing poverty rates, and high unemployment (9.2% as of spring 2011). The county's population decreased approximately 8 percent over the last 10 years, which affects the area's economic vitality and the service capacity of its local governments. In addition, poverty is still a serious concern, with 24 percent of children living in families with incomes below the federal poverty rate. The countywide graduation rate is just 71 percent, and there are wide discrepancies between urban and suburban schools, which could hinder opportunities for economic growth now and into the future.

Beyond the external issues, the government requires high-quality leadership due to its size and complexity. The county has approximately 8,000 employees and an annual operating budget of \$1.24 billion. It provides a range of services, the largest being human services, which represent 40.6 percent of its total operating budget, followed by judiciary (24.7%) and general government (11.9%).

Until its new charter was adopted in November 2009, Cuyahoga County operated under the authority of Ohio's general laws for counties. Under the old form of government, the county's elected leadership was a three-member commission, with eight elected row officers.⁹ Many who

⁹ Prosecuting attorney, sheriff, auditor, treasurer, coroner, engineer, recorder, clerk of the Court of Common Pleas.

are familiar with the county's operations felt the large number of row officers resulted in a lack of coordination and created inefficiencies since each row officer developed his or her own administrative procedures (e.g., HR, IT). Furthermore, county administration had difficulty using the budget as a planning tool; each elected department head was free to amend his or her budget once it was passed by the county commission. Although some county residents had advocated for change, row officers had their own constituencies, and power was much diffused, promoting the status quo.

The situation changed in July 2008 when 175 FBI agents raided the county administration building, county engineer's office, the homes of three public officials, and the offices of many well-connected companies. The main targets of the corruption scandal initially were a county commissioner and the county auditor. Later, the investigation spread to other county officers, local school systems, and the Court of Common Pleas. To improve the situation, the commission proposed reforms to the state legislature in 2009; however, it became clear that these bills were not going to pass. The governor then decided to appoint a commission to research additional reform ideas for the county. However, although the group submitted another plan, it too died in the legislature.

During this time of crisis, government reformers, particularly a former city mayor, Marty Zanotti, realized they had an opportunity: change the form of government in order to make Cuyahoga County more accountable to the public and to become a regional leader in economic development. Believing the public wanted reform, Mr. Zanotti took the lead in a petition drive to create a council-executive form of government. In six months, he had gathered more than the necessary signatures (more than 45,000) to place the measure before the county commission. The two remaining commissioners voted to put the measure on the November 2009 ballot.

Proposal

The charter called for an elected executive, with an 11-member council elected by district. This form of government was chosen because it is the only alternative county structure allowed under state law.¹⁰ However, reform advocates also viewed the elected executive form positively because of its potential to increase public accountability and provide checks and balances, having separate executive and legislative branches. Of course, improved leadership and management ultimately are dependent upon who the people elect as their executive.

Furthermore, Ohio state law allows substantial flexibility in regard to row officers under the elected executive form. Because of the corruption scandal involving row officers and the perceived inefficiencies and planning issues associated with a large number of independently elected department heads, the reformers decided to eliminate all of the positions except for the prosecuting attorney.¹¹ Furthermore, there was a belief that with only one elected department head, the county would be better able to manage budget priorities and financial planning.

Realizing the public wanted a "fresh start" with county government, the reformers saw the charter as an opportunity for the county to become a regional leader in economic development. Historically, the county had not actively engaged in this area. Further, the City of Cleveland had

¹⁰ County may have an administrator.

¹¹ Judges continue to be elected.

declined in importance over time, leaving the region without a dominant voice. The reformers believed that government leadership was crucial to stemming job losses and moving the entire area forward. Therefore, they took the unusual step of stipulating in the charter that the Cuyahoga County government would be primarily responsible for the promotion and enhancement of economic well-being and prosperity of the county and all its residents. In addition, the charter

- Created a development department, director of development position, and an economic development commission;
- Directed the development department to write a countywide economic development plan to be approved by the economic development commission; and
- Mandated that the government fund economic development efforts through a 15 percent cost savings in operations.

The charter also provided for a charter review commission to recommend changes to the document if needed. Mr. Zanotti believes that the review commission may need to “tweak” the document since the drafters wrote from scratch and had the charter of only one other county in the state (i.e., Summit County) to use as a guide.

Several influential entities took sides on the charter, with the major local newspaper and the business community supporting it. Those opposed included public unions, who were concerned that layoffs would occur because of the charter’s mandate to transfer 15 percent of operating costs to economic development. Ultimately, the public’s distaste with the corruption scandal and a strong desire for a new beginning resulted in the new charter being passed with 66 percent of the vote.

The charter called for an extended transition period, allowing one year from the date the charter was approved to the date of election of the new county officials. The document also mandated the creation of a transition advisory group composed of three members and required the county to assist with the transition in terms of supplying requested materials and staff time. However, rather than using the legally established advisory group as the vehicle to develop a transition plan, Mr. Zanotti created the Transition Executive Committee, a nonprofit volunteer organization, to undertake the research needed for the county’s transition to the new charter. The volunteer organization worked in an advisory capacity since it had no actual legal authority under the new charter and did not receive any funds from the county. However, the county did donate staff time to the organization since the executive committee (rather than the advisory group) served as the primary vehicle for the transition.

To undertake the research needed for the transition, the Transition Executive Committee divided county services into discrete areas, with the volunteers forming into subcommittees by area to perform their work. The subcommittees reviewed ways the county could increase efficiencies and reduce costs in order to meet the 15 percent savings goal required under the charter. Public support for the transition and executive committee was tremendous; more than 1,300 citizens participated in the transition groups. For each subcommittee, there were two chairs: one from the private sector and one from the county (i.e., senior administrator whose department was within that area). The purpose of the co-chairs was to garner both the technical expertise and outside

perspective of the private sector and the internal knowledge and insights of the county administrator. After finishing their reports, each subcommittee presented its recommendations to the senior advisory committee. In turn, the recommendations from each group were presented to the transition advisory group—the legally established transition group. Those involved with the transition believe that the legally established and volunteer groups worked very well in researching and developing thoughtful and practical recommendations and in utilizing voluntary assistance.

Outcome

The county's first elected executive, Ed Fitzgerald, was sworn into office on January 1, 2011. From the onset, the executive has had to address several critical issues, including cost savings, economic development, and ethics.

To find the 15 percent cost savings, the administration decided to examine savings strategically rather than advocating massive across-the-board cuts. As part of this effort, the executive and his staff have taken the Transition Executive Committee's recommendations very seriously and have instituted or are in the process of instituting several of them. At the time of this writing, the executive was still in the process of hiring department directors. Once this goal is completed, the administration expects to implement more of the recommendations. Mr. Zanotti believes that the administration has used the executive committee's findings and understands that many recommendations will take time to carry out.

With only one row officer, the executive has direct management control over nearly the entire government, which should facilitate implementation of needed reforms. For example, all employees now have the same work hours and all departments follow the same human resources policies and procedures. Previously, this was not the case. The administration also plans to undertake a comprehensive pay and classification study, as the county currently has no classification system. The study may also uncover some duplication and inefficiencies, which may help identify cost-saving goals. With a single leader, it will also be easier to establish a new countywide organizational culture of fiscal restraint, although this will take time to become fully established.

Although the government has found some savings (e.g., \$30 million in the area of human services), much of the "low-hanging fruit" in terms of personnel had already been addressed through an early retirement program offered in 2009. Personnel costs decreased 9.3 percent (\$37 million) from 2009 to 2011, and there were 1,473 fewer FTEs (15.5%) in 2011 than in 2002.¹² Furthermore, the current cost savings are being used to offset reductions in state revenue transfers to the county. That said, the administration is still optimistic that it will find the needed reductions to fully support its economic development goals.

The administration has undertaken several economic development initiatives since assuming office. As for meeting the requirements of the charter, Mr. Fitzgerald has appointed an economic development commission and development director who have created an economic development plan for the county. In addition, the executive has proposed creating a \$100 million fund for

¹² Cuyahoga County Administrator's Recommended 2011 Budget. p. I-15.

development.¹³ There is some expectation that these funds will serve as an incentive for municipalities to work more cooperatively rather than competitively as had been the practice. As one community leader stated, the administration has built a foundation upon which economic development can prosper.

Transforming the county into a leader in economic development is also tied to a larger role for the government in promoting intergovernmental collaboration and regionalism. Promotion may be a real challenge since there are 59 municipalities in the county, each having a veto over a collaboration proposal and no legal framework of state laws to encourage functional consolidation of services (even though consolidation likely would result in significant cost savings). However, the loss of state funding will likely spur cities to look for ways to share services, in which case the county can play an important role in facilitating the process. The county has made some progress; it recently was awarded a grant from the area's regional coordinating agency to study the merger of four communities.¹⁴

Even though the importance of ethics was not specifically discussed in the charter, those interviewed agreed that it was very important for the newly elected executive and his administration to emphasize it in order to rebuild the public's trust in government. Interviewees from outside the government believe that the executive has set the right tone for his administration by focusing on openness and transparency with employees and the public. Specifically, every county employee undertook ethics training within months of Mr. Fitzgerald taking office. In addition, he hired a former federal prosecutor to serve as the inspector general, passed new ethics policies, and has required procurement training for the county's vendors. This training was seen as necessary since some of the corruption involved kickbacks from government contracts and the administration wanted its vendors to know that the county's purchasing practices had changed.

Overall, those most involved in the reform process believe that Mr. Fitzgerald and his team are doing a very good job in moving Cuyahoga County in the right direction, and they have seen significant improvement in a short period of time. With continued progress, there is hope that the county government can move the area forward economically and restore the public's faith in the government itself.

Lessons Learned

1. Cuyahoga County is a good example of how change is possible, but elected officials have to be open to it. As one interviewee¹⁵ stated, "Governmental structure is not divinely inspired but the result of history." County leaders should ask themselves if their structure best fits the current and forecasted situations. Elected officials and the public need to think about government structures as being not unlike businesses, which must evolve in order to succeed and remain competitive.

¹³ The fund would be created through a bond issue, with repayments funded by setting aside a portion of the county's sales tax revenue.

¹⁴ Northeast Ohio Areawide Coordinating Agency.

¹⁵ David Abbott.

2. Elected officials need to listen to members of the public rather than just telling them what they think the public wants. In the case of Cuyahoga County, the public wanted reform and a new beginning after the corruption scandal, as evidenced by a strong majority vote in favor of the new charter.
3. Counties should take advantage of opportunities for change when they appear. Cuyahoga County's corruption scandal provided an opportunity for government reformers to create a charter they believed promoted accountability, efficiency, and economic development by
 - a. Creating an office of the elected executive and expanding the legislative body to allow for more membership diversity,
 - b. Establishing the county as the leader in economic development,
 - c. Mandating cost savings to fund economic development efforts, and
 - d. Eliminating several row officers to allow for better coordination and planning.
4. Counties have an important role to play in economic development, particularly as regional leaders, and facilitating initiatives and cooperation among other jurisdictions. Before embarking on an ambitious economic development plan, though, elected officials should thoroughly understand their county's potential and be realistic about whether their goals can be successfully executed.

Luzerne County, PA: Seizing an Opportunity for Change

Population	320,918
Race: White	90.7%
Race: Black	3.4%
Ethnicity: Hispanic ¹	6.7%
Median Household Income ²	\$41,539
Bachelor's Degree Attainment	20.0%
Poverty Rate ³	12.9%

Source: U.S. Census Bureau, 2010 Census and 2007–2009 American Community Survey

1. Can be either white or black

2. Adjusted to 2009 dollars

3. Individuals living in poverty

Introduction

Citizens of Luzerne County, PA, recognized that the combination of multiple political scandals and a dismal financial situation provided the opportunity to change the county's form of government in a way that would promote transparency, accountability, and efficiency. A government study commission was formed in 2009, and a new home rule charter was adopted on November 10, 2010, with approximately 55 percent voter approval. The new charter became effective and a new county council was sworn in on January 2, 2012. Although it faces several challenges, a transition committee is working diligently to guide the change from the old system of government to the new so that members of the new county council can hit the ground running.

Background

The county had operated under a system of government established by statute in 1955 that provided for three county commissioners and 11 elected row officers. Many provisions of the old system were either identical to or derived from the laws and procedures that were first adopted by the Pennsylvania legislature in the 1800s, which members of the government study commission considered antiquated. In particular, the commission believed that the old system had not taken into account the county's unique history, geography, demography, economic environment, or political climate. They viewed the old system as one that had fostered a climate in which political ambition and connections were more valuable than capability; political squabbling often got in the way of good government, and the average citizen felt powerless in voicing his or her opinions and in seeking change. The result was a government that was inefficient and fragmented, with little accountability, and that led to serious financial problems and extensive fraud and government corruption.

Facing serious financial problems, the county entered Pennsylvania's early intervention program for local governments in 2004. The program is intended to assist local governments with financial planning before finances become so troubled that they would qualify for the state's distressed municipality program. The program provides matching grant funds to develop comprehensive multi-year financial plans and establish short- and long-term financial objectives. Despite the early intervention program efforts, the county borrowed money every year from 2004 through 2008 in order to balance its budget, including \$13 million in both 2006 and 2007 and

nearly \$23 million in 2008. The county's current overall long-term debt burden, which includes general obligation and revenue bonds, is in excess of \$450 million, an amount nearly four times the county's total annual revenues. In addition to borrowing to meet budget gaps, the county has raised taxes multiple times. In the two most recent years, property taxes have increased twice, with the 2009 budget containing a 10 percent increase in property taxes and the 2010 budget containing an additional 10 percent increase.

Complicating the issue, it is difficult to grasp a complete and accurate picture of the county's financial situation because of the fragmented nature of the county's old system of government. Each of the 11 elected row officers manages a separate allocation from the county's budget, and each officer has a different management system. The decentralization makes reconciling the budget on a countywide basis an extremely difficult task. Even so, those familiar with the county's overall budget estimate that approximately 25 percent of the budget is used to make payments on the county's outstanding debt, while 25 percent is used to support the local prison, 25 percent is provided to the courts, and the remaining 25 percent is used to pay for everything else.

The county's financial situation is not the only confounding issue. On January 26, 2009, the president judge of the county's Court of Common Pleas and the previous president judge were arrested by the FBI and charged with honest services fraud and tax evasion in connection with receiving more than \$2.6 million in payments from the owners of two privately held juvenile detention centers. Referred to as the "kids for cash" scandal, the scheme involved the judges accepting the money in exchange for imposing harsh sentences on juveniles that required them to be incarcerated in the private detention centers. On September 9, 2009, a federal grand jury returned an indictment against the two judges on 48 counts, including racketeering, fraud, money laundering, extortion, bribery, and federal tax violations. One of the judges entered a guilty plea to one count of racketeering conspiracy in July 2010 and was sentenced in September 2011. The other judge was convicted in a jury trial on February 18, 2011, on 12 of 39 counts and was sentenced in August 2011 to 28 years in federal prison.

There have been other instances of corruption in the county. For example, just five days prior to the government study commission's vote recommending the home rule charter, a former county commissioner was sentenced to 24 months in federal prison for accepting a payment in exchange for a decision he had made in his official capacity. Shortly after the "kids for cash" scandal arose, the court administrator pleaded guilty to federal charges of embezzlement, a senior juvenile probation official pleaded guilty to a federal charge of obstruction of justice, and the prothonotary (clerk of court) agreed to resign her office and cooperate in a federal investigation. In April and May 2009, three local school officials were charged with receiving illicit payments for official actions.

Following the "kids for cash" and other scandals, and after increased frustration with the county's financial situation, in 2009 a group of concerned citizens requested that the county commissioners place a referendum on the ballot asking whether a government study commission should be established. The commissioners agreed in early 2009, and the election was held on May 19, 2009. Over 77 percent of the county's citizens voting in the election supported the

formation of the government study commission, and 11 individuals were elected to serve on the commission.¹⁶

There have been two prior home rule charter efforts in the county, each of which failed. The first, in 1974, was just two years after the adoption of the home rule law in the state. The second effort occurred in 2003 and was the result of a petition drive to put the government study commission question on the ballot. Those familiar with the 2003 charter effort point out that the election coincided with the election of county commissioners. Two candidates in particular were very strong and promised to make many of the same changes that the supporters of the charter effort were proposing. Although the candidates were elected, many of the reforms did not occur.

Proposal

The government study commission members held their first meeting on June 10, 2009, and the commission conducted its study of the county government and other available forms of government between June and December 2009. The commission held weekly public meetings. Members of the commission sought public input and met with county officials, individuals knowledgeable about county government, and officials from other counties. The commission also reviewed model charters and various forms of government and obtained technical assistance from outside experts.

On December 9, 2009, the government study commission announced its findings. It determined that the county's government could be strengthened and made more responsible, accountable, economical, and efficient under a home rule form of government. The commission voted unanimously to draft and submit to the voters a proposed home rule charter. On August 11, 2010, the commission issued its final report and recommendation for adoption of a home rule charter.

The government study commission concluded that the old system of government was a substantial cause of the problems the county faced and that the new home rule charter would significantly improve the accountability, efficiency, and integrity of the county government. The commission identified eight specific problems and weaknesses of the old system of government: 1) day-to-day decision making was vested in the hands of political officials and appointees who often make decisions on the basis of political implications and not best management practices; 2) the old system limited the ability of interested citizens to be elected due to an entrenched political class and the influence of big-money political contributors; 3) there was a lack of adequate checks and balances on the political and operational authority of the county commissioners; 4) inefficiencies in organization and operations existed, created by the elected and independent row officers; 5) citizen participation was limited by the absence of mechanisms for voter initiatives, inconvenient commissioner meeting times, and a lack of transparency in the operation of the government; 6) the old system lacked strong ethics rules and policies and a

¹⁶ Enacted in 1972, Pennsylvania's home rule law establishes the procedure for adopting a home rule charter. The voters of a local jurisdiction first decide whether to form a government study commission. They then elect nonpartisan commission members, who are charged with studying the existing form of government, exploring alternatives, and deciding whether to recommend change. The election of a government study commission can be proposed through petition or by the current county commission. If the government study commission decides to recommend home rule, it drafts a proposed charter that is then presented to the voters. The new home rule charter becomes effective only after the approval of a majority voting in a referendum.

method for enforcing ethics laws; 7) the old system encouraged nepotism and favoritism; and 8) a legal limitation on annual increases in property taxes was lacking.

The commission sought to address the problems and weaknesses and drafted a home rule charter that includes the following provisions:

- Increases the legislative body from 3 to 11 members. The charter includes staggered elections for the new council every two years and mandates a limit of three terms for all offices.
- Provides for checks and balances in the operation of the county by separating the legislative function from the executive function, with the creation of a professional county manager. Under the old system, the county commissioners both enacted and enforced legislation. Under the new charter, the council enacts legislation and the county manager is responsible for its enforcement and implementation.
- Retains only two row officers—the controller and district attorney—and requires the current officeholders to resign their seats prior to running for a different office.
- Prevents outgoing county elected officials from serving as county contractors for a period of one year.
- Provides a mechanism for allowing citizens to place questions to the voters in a referendum, allows county voters to adopt changes to the charter, and provides for greater transparency in the operations of the county by including several specific reforms. These requirements include the following: the council is to have evening meetings and post the meeting agenda in advance of the meeting; the county manager is to hold an annual public forum at which the manager is to give a “state of the county” address; budgets should provide comparative figures for each item for at least the current and prior fiscal years; the manager is to submit annual budgets and other financial information; and the manager is to prepare and the council is to approve a long-term county plan each year.
- Requires that the county have a comprehensive ethics code.
- Establishes new requirements pertaining to the hiring of county employees.
- Contains an annual limitation of 8 percent on the growth of real estate tax revenues.

The proposed home rule charter has not been without opposition, as evidenced by the formation of the “Committee for No to County Home Rule Charter.” One of the more vocal members of the opposition, a current row officer, stated that while he supported the formation of the government study commission, he did not believe that the home rule charter as drafted presented the best option for a new government. In his view, opposition members would have supported an elected county manager rather than the appointed county manager position outlined in the home rule charter. In addition, they would have supported the election of the county council through districts rather than at-large elections for all members of the council. The opposition also believed that there was no benefit to term limits.

Outcome

On November 10, 2010, county voters approved the adoption of the home rule charter by a vote of 55 percent to 45 percent. Following the vote, a home rule transition committee was formed consisting of the three outgoing county commissioners, five members from the government study commission, and three citizen members chosen through an application and interview process.

The committee is responsible for developing new policies relating to personnel, ethics, and administration of government. It will also draft proposed ordinances and a county code and recommend certain personnel appointments to the new county council. Since the formation of the transition committee, members have been working on proposed code sections and have begun the process of interviewing candidates for the position of county manager. In addition, transition committee members have begun looking at ways in which the government can be reorganized and departments consolidated in order to realize greater efficiencies. Members of the transition committee have found it difficult to obtain all of the personnel and budget information they need to make certain decisions relating to departmental reorganization, either because the information is not available in a consolidated manner or because county employees are reluctant to provide information while the old system of government is still in place.

As of this writing, the new home rule charter remains in the transition period; the general election for the county council took place in November 2011. The new county council met for the first time on January 2, 2012, the effective date of the new charter. The transition committee intends to have draft ordinances and a proposed county code ready and to have identified a potential candidate for the position of county manager so that the new council can act quickly upon taking office. The transition committee is optimistic that the new council and the new system of government will achieve the original goals of the government study commission to promote transparency, accountability, and efficiency.

Lessons Learned

1. Take advantage of opportunities when they arise. Those interested in changing the government in Luzerne County capitalized on an opportunity presented by the “kids for cash” and other scandals combined with citizen discontent over recent tax increases and the county’s financial situation. The widespread corruption and its perceived effect on the county’s financial situation provided a chance for home rule supporters to enact change designed to promote transparency, accountability, and efficiency by increasing representation on the county council, providing for an appointed professional county manager, eliminating most independent row officers, including mechanisms for greater citizen participation, replacing the personnel hiring system, providing greater checks and balances in the operation of the government, and setting a limit on property tax increases.
2. Include people on the charter writing committee who have experience and seek outside expertise when needed. Several members of the government study commission remarked that it was extremely beneficial to have members who had relevant experience in drafting charters. In addition, the commission sought and obtained valuable outside expertise in order to review model charters and ensure that up-to-date best practices were incorporated into the new charter.
3. Understand election timing. There are two critical referendum dates in Pennsylvania relating to the adoption of a home rule charter. The first referendum is the election to decide whether to form a government study commission. The second referendum is the election to decide whether to adopt the new charter drafted by the government study commission. According to several interviewees, the effort in 2003 to adopt a home rule charter failed in large part because the question of whether to form a government study commission was placed on the

same ballot as the election of new county commissioners. There were two strong candidates in that election promising to make many of the same changes that the supporters of the charter effort were proposing. Rather than support an effort that could lead to a complete change of government, voters supported the candidates, not adoption of a new charter. In contrast, supporters of change in 2009 deliberately chose an election date for the vote on the formation of the government study commission that would not coincide with county commissioner elections.

4. Anticipate transition issues. Members of the transition committee have found it difficult in certain situations to obtain critical information relating to the operations of the government and the budget. This is especially true in the case of certain elected officials who will no longer hold office after the new home rule charter becomes effective. Transition committee members who were interviewed believe that some of the issues could have been avoided had they been anticipated earlier in the home rule charter drafting process so that provisions designed to foster cooperation from outgoing officials and other county employees could have been incorporated into the new charter.

Macomb County, MI: A Government to Meet the Future

Population	840,978
Race: White	85.4%
Race: Black	8.7%
Ethnicity: Hispanic ¹	2.8%
Median Household Income	\$53,733
Bachelor's Degree Attainment	21.7%
Poverty Rate ³	9.5%

Source: U.S. Census Bureau, 2010 Census and 2007–2009 American Community Survey

1. Can be either white or black

2. Adjusted to 2009 dollars

3. Individuals living in poverty

Introduction

Seeking to create a stronger presence for Macomb County within its three-county region as well as at the state and federal levels, a coalition of business and labor groups promoted the adoption of a home rule charter to establish an elected county executive. The charter was approved in November 2009, and the first county executive was elected in November 2010. The new government faces significant economic challenges in a state with an unemployment rate of 10.4 percent. Reorganization of the government is also expected to reduce costs and focus the county's economic development efforts. Although the changes have only been in place a short time, elected officials and community leaders are confident they will support Macomb County becoming a strong regional force.

Background

Macomb County is located in southeast Michigan in an area that has traditionally been heavily reliant on the automobile industry. The tri-county area composed of Wayne County (Detroit), Oakland County, and Macomb County has faced unemployment rates higher than the national average and a 30 percent drop in property values, with accompanying reductions in property tax revenues. However, Macomb County has experienced population growth during this period while neighboring counties and Michigan as a whole have lost population.¹⁷ The county's natural and community assets include 31 miles of shoreline along popular Lake St. Clair, good infrastructure, affordable housing, safe neighborhoods, and good schools. However, county leaders also noted several missed opportunities such as the lack of a four-year university, an airport, and a hotel or pier along the Lake St. Clair shoreline.

Macomb County is the third-largest county in Michigan and has a large and complex government. It has 2,776 employees and had a 2011 annual budget of \$463,121,752. The county provides a range of services, the largest being mental health, representing 42.7 percent of its total operating budget, followed by human services (16.5%) and general government (13.9%).

¹⁷ U.S. Census Bureau, County QuickFacts, <http://quickfacts.census.gov/>.

Most counties in Michigan have the commission form of government; Wayne County is the only other charter county, and two counties have the optional unified form.¹⁸ Prior to adoption of the charter, Macomb County operated under the Michigan general law for counties, with a 26-member commission, 5 elected row officers,¹⁹ and an elected road commission. No single event precipitated the drive to change the form of government; rather, it was a perception that the existing form was outdated and inefficient for a county the size of Macomb. Without a specific fiscal crisis or political scandal, little controversy surrounded the charter referendum, as evidenced by a low voter turnout of only 16 percent. An earlier 1980s charter initiative supported by the Michigan Education Association (MEA) was narrowly defeated, but the 2007 attempt supported by a coalition between business (primarily the Chamber of Commerce) and labor (UAW and MEA) ultimately secured more than 33,000 voter signatures to initiate the process, culminating in the adoption of the charter by 60 percent in 2009.

Proposal

For a county like Macomb with fewer than 1.5 million people, state law provides that a home rule charter county have an elected county executive and that the size of the county commission be based on population. Although the county could have established either an elected executive or a county manager form of government, supporters championed the charter form because it allowed for reducing the size of the county commission, imposed fewer mandates, and could be tailored to the needs of Macomb County.

The home rule charter approved by Macomb County voters in November 2009 made three major changes in government: 1) it vested executive authority in an elected county executive, 2) it significantly reduced the size of the county commission, and 3) it abolished the road commission. Charter supporters assured voters that these changes would result in greater accountability and transparency, improve the power of Macomb County within the tri-county region, and save money.

The business and labor coalition promoted the charter with the campaign slogan “Charter = County Executive” and the promise that establishment of the position of county executive would give the county more clout in the state legislature and with the Michigan congressional delegation. In addition, having “someone in charge” was frequently cited as a reason for establishing the county executive. The elected executive form was seen as having “optimal flexibility to amass the resources of the county and utilize them in the most efficient manner.”²⁰ Charter supporters wanted a strong executive, elected by the voters, who would be able to articulate the county’s position on a variety of issues; they wanted an individual to be “the face of Macomb.”

In addition to establishing the county executive position, the charter cut the size of the county board of commissioners in half, from 26 to 13. Reduction in the size of the commission was advanced primarily for reasons of efficiency, to streamline the legislative process. Charter

¹⁸ The optional unified form of county government may provide for an appointed manager or an elected executive but does not provide a means for reducing the size of the county commission. Adoption may be initiated by the county commission or by petition of 10 percent of county voters and requires voter approval.

¹⁹ Sheriff, prosecuting attorney, county clerk, county treasurer and register of deeds, and public works director.

²⁰ Grace Shore, co-chair of “Charter = County Executive,” CEO of Macomb County Chamber of Commerce; phone interview, July 6, 2011.

supporters viewed the large size of the county commission as a chief cause of inefficiency and ineffectiveness in government. Common complaints were that it took too long to get anything done and it was difficult to get the 26-member body to reach consensus on any topic.

Opposition to the charter generally came from those identifying themselves as conservative and/or libertarian and opposed to “big government.” An anti-charter group called “Taxpayers Against Bloated Government” argued that the new structure would reduce accountability and increase the size of government, taxes, and government regulations.

On the same 2009 ballot, voters approved by 62 percent (slightly higher than approved the charter) the proposed reorganization of the county road commission and the transfer of its duties and functions to a new road department under the supervision and control of the executive. Michigan state law provides for an elected road commission, but adopting a charter government allows a county to abolish that commission. The road commission had little accountability for management of the road fund (in excess of \$50 million) and was perceived by citizens and the board of commissioners to be highly political. Under the reorganization, the new road department plans to expend \$8 million a year from the fund balance for road repairs. Placing the road department under the executive will produce a savings of \$407,000, primarily as a result of staffing reductions.

Under the charter, the executive is authorized to reorganize county government by creating or abolishing any agency except those agencies that are specifically exempted by the charter or state law (i.e., court system and elected row officers). The charter commission also created an independent ethics board nominated by the executive and approved by the county commission. Further, it required adoption of an ethics ordinance covering all county employees, elected officials, and appointees.

The county executive was required to submit an organization plan to the board of commissioners within 180 days after taking office, explaining the reasons for any proposed reorganizations and evaluating the fiscal impact. An implicit campaign promise was that the plan would save money by streamlining government. The commission was given 75 days to approve, amend, or reject the executive’s plan.

The question of a general revision of the charter will be submitted to the voters at the general election in 2014 and every 10 years thereafter. If a majority vote in favor of revision, a charter commission will be elected to create an amended or new county charter to submit to the voters.

Although a full year elapsed between the 2009 vote approving the charter and the 2010 election of a new board of commissioners and the county executive, no formal transition process was established in the charter. A transition team of five county commissioners had only six weeks between the November 2010 election and the January 2011 inauguration of the new commissioners and executive to complete the process. Assistance was unavailable from other Michigan counties since the only other county that had previously made such a transition, Wayne County, had done so more than 30 years earlier. The lack of experienced guidance and transition guidelines coupled with ambiguous charter language have affected understanding of the respective roles of the new executive and the commission. Regular meetings between the

executive and the commission during the transition period could have facilitated the process for all involved.

Outcome

The county's first elected executive, Mark A. Hackel, was sworn into office on January 1, 2011. Mr. Hackel served as the Macomb County sheriff for 10 years prior to his election as executive. The executive faced several immediate issues: drafting an organization plan, making many appointments previously made by the county commission, and expanding economic development efforts.

The executive submitted the organization plan to the county board in May 2011. His goal was to fulfill the vision of the home rule charter to "create a more efficient and effective form of county government." However, the executive noted in the plan that: "because of the many restrictions and exceptions in the Charter, the Organization Plan is not a very useful tool for achieving financial savings." County expenditures were reduced by only \$2.5 million in a \$463 million budget.²¹

More specifically, the reorganization plan focused on two administrative agencies (i.e., the library and the risk management and safety unit) and 7 of the 38 county boards and commissions that require formal appointments.²² In addition, the plan provided for elimination of the Macomb Economic Development Corporation as soon as outstanding revenue bonds issued by the agency were fully repaid. As required in the charter, the county commission held two public hearings on the executive's organization plan before approving it in July 2011. Only one change was made: the Water Quality Board was retained due to strong public concerns regarding its key role in environmental protection efforts.

Supporters of the elected executive form expected immediate cost savings from creation of the executive and streamlining of the commission. As such, the initial 2011 budget for the executive was \$682,307, with five staff. These staffing restrictions were imposed so that creation of the executive position would be revenue-neutral; however, the restrictions were not realistic and proved inadequate almost immediately. The commission agreed, approving a budget amendment of 28 percent to \$946,000 and an increase to eight executive staff. These budget and staffing increases have led to some complaints that adopting the county executive structure has not produced the expected streamlining of county government. County commission staff decreased only marginally, but the commission's 2011 adopted budget resulted in \$420,745 in savings due to the reduction in the size of the commission from 26 to 13 members. Recent news reports indicate that the executive is seeking additional ways to cut costs such as switching food service providers and medical carriers at the jail and centralizing dispatch facilities for emergency

²¹ Reorganization plan is for FY 2012. Total budget figure comes from FY 2011, as this budget was the latest available online.

²² Road Commission, Retirement Commission, Partnership for Sustainability, Historical Commission, Juvenile Justice Advisory Board, Water Quality Board, and Commission on Women. The Road Commission was eliminated by referendum approved in 2009. Membership on the Retirement Commission is set by charter. The Partnership for Sustainability was an inactive board-created entity. The other four commissions are to be appointed by the executive but report to the county commission.

management, roads, and the sheriff's office. He expects to reduce the \$13.5 million budget shortfall that the county began the year with to approximately \$9 million.²³

Financial transparency was another stated goal of those supporting charter adoption. The charter specifically required that the executive's organization plan provide for public access to county expenditure records in a "feasible, accessible, and economical manner." In July 2011, Mr. Hackel unveiled the county's new financial "dashboard" located on its Website. The intent is to present financial information in an easy-to-understand format that will help citizens gauge the county's financial position and how the government is performing.

The charter named the county executive to administer economic development programs in coordination with the director of planning and economic development. Naming the executive to administer economic development appears to be a response to criticism that it was difficult to get the former county commission to agree upon and articulate an economic development policy. Mr. Hackel has pursued several avenues to promote Macomb County, identifying the county's strengths and unique qualities that make it a multi-billion-dollar economic engine in southeast Michigan. He has worked to distinguish Macomb from other counties in the region, promoting its workforce and quality of life and adopting the slogan "Make Macomb Your Home." The executive recently announced client investments in the county totaling \$55.1 million in the first six months of 2011 and establishment of the first-ever Michigan Economic Development Corporation resource-sharing agreement with Macomb County.²⁴

Generally, Mr. Hackel and his team appear to be making progress in achieving cost savings and promoting economic development in the short time that he has been in office.

Lessons Learned

Since the elected executive and streamlined county commission have been in office less than a year, it is too soon to fully appreciate the long-term impact of these changes in Macomb County. However, the case does offer some lessons about undertaking major structural change.

1. Plan for a transition. The lack of a formal transition process has exacerbated difficulties transitioning to the new form of government. An effective transition plan can greatly assist new leaders when they take office, enabling them to work on their goals right away.
2. Ensure charter input by those familiar with county operations. Citizen involvement and commitment to the charter process is to be applauded. In the case of Macomb County, however, conflicts between the executive and the commission resulting from ambiguous charter language may reflect a lack of understanding on the part of those drafting the charter of the actual roles performed by a general law county commission.
3. Exercise caution in promising cost savings as a reason for citizens to approve a change in form of government. This type of a promise can create unrealistic expectations since it is extremely difficult to predict the decisions that may be made by a body that has yet to be

²³ "Macomb County finding ways to cut costs for future budgets," Christina Hall, *Detroit Free Press*, August 11, 2011.

²⁴ Press releases, Macomb County Executive, August 9, 2011, and August 30, 2011.

elected. In the case of Macomb County, the charter itself did not provide a great deal of flexibility in cutting costs, making efficiency increases more difficult.

Bibb County, GA: Keeping Committed to Consolidation

Population	155,547
Race: White	43.2%
Race: Black	52.2%
Ethnicity: Hispanic ¹	2.8%
Median Household Income ²	\$37,319
Bachelor's Degree Attainment	23.6%
Poverty Rate ³	22.4%

Source: U.S. Census Bureau, 2010 Census and 2007–2009 American Community Survey

1. Can be either white or black

2. Adjusted to 2009 dollars

3. Individuals living in poverty

Introduction

Bibb County and Macon (the county's largest city) have attempted consolidation more times than any other county and city in the nation. The jurisdictions began studying consolidation in the 1920s, but the issue has been defeated at the polls five times.²⁵ In the 2011 Georgia legislative session, members of the Bibb County delegation introduced a House bill (HB 98) and a senate bill (SB 274) to consolidate the City of Macon and Bibb County. However, the two bills contained several key differences; bill sponsors were unable to reach agreement on those issues, and neither bill was adopted. The Bibb County representative who sponsored one of those bills has pledged to introduce new consolidation legislation in the 2012 legislative session.

Background

Bibb County is located in the heart of central Georgia at the crossroads of three interstate highways and is the 13th most populous Georgia county. The City of Macon is the county seat and the state's 8th largest city. There is a moderate level of functional consolidation between the county and city and general satisfaction among elected officials and citizens with these functionally consolidated departments. However, the impermanent, piecemeal nature of functional consolidation also seems to be a motivating factor for continued support for governmental consolidation.

Saving money is often advanced as a reason to consolidate Bibb County and Macon. The county provides a range of mostly traditional county services, employs approximately 800 full-time employees, and has a current operating budget of \$83.4 million, a 14.6 percent decrease from the previous year's budget. In comparison, the city has approximately 1,250 full-time employees and a current operating budget of \$74.3 million, a 4 percent decrease from the previous year's budget. Although Macon covers only 18 percent of the geographic area of the county, it comprises 60 percent of the county's population, and its budget is nearly 90 percent of that of the county. One reason why the city's budget is so large is because it provides so many services

²⁵ "Unification rises again from the dust bin of time," *Macon Telegraph*, November 6, 2006.

countywide, including fire, parks and recreation, emergency management, and inspections and fees.²⁶

The county and city each face significant economic and social challenges, including stagnant population growth in the county (a 1% population increase since 2000) and a declining city population (a 3.7% loss in population from 2000 to 2006). Poverty is a serious concern, with 29.8 percent of children in the county living in families with incomes below the federal poverty rate.

Continued fiscal stresses in the county and city and the middle Georgia region also contribute to support for governmental consolidation. Both governments have faced large budget shortfalls in recent years. The city's solvency and outstanding debt have been issues of concern in previous consolidation discussions, including those in 2011 (county residents did not want to be responsible for "bailing out" the city). However, the city's financial situation has improved since the beginning of 2011. It is now the county that is experiencing fiscal distress; having reduced its millage rate for two consecutive years, the commission found it necessary to raise the county millage rate by two mills in 2011. One county commissioner who was interviewed stated that there is "no fat in the budget." Furthermore, the county will seek voter approval of a 1 percent optional sales tax for capital projects at the general election in November 2012. If approved, proceeds of the tax will retire the outstanding debt of both the city and county, among other things.²⁷ However, voter approval of the tax is not assured, as there may be resistance due to the county's recent millage rate increases. Given that improving the city's fiscal status was among the motivations in the recent consolidation effort, it is unclear whether or how the elimination of debt will affect support for consolidation in the future.

Among the most significant positive long-term impacts of governmental consolidation cited by county officials are increased efficiency and effectiveness. However, costs savings realized through consolidation may not be simply about reducing duplication since there is relatively little overlap in the services provided by the county and city. Although there definitely is interest in possible cost savings to be achieved from consolidation, county officials recognized that transitioning to a consolidated government would entail significant initial costs. There was an expectation that a new government may provide an opportunity for traditional organizational efficiencies, however.

Other significant factors motivating support for the consolidation of Macon and Bibb County included creating a structurally stronger and more efficient government, with a stronger "voice" in middle Georgia. There appears to be a strong perception among county officials that the city's current form of government, with a strong mayor and a 15-member city council, is very inefficient, particularly in comparison with the county's five-member commission. County commissioners repeatedly stated that the commission can take action much more quickly on virtually any matter than can the city council. A smaller governing body seems to be something that almost everyone agrees upon, with the exception of some city council members. One advantage of the county having a stronger voice in the region would be the ability to maintain a

²⁶ The Macon–Bibb County Planning and Zoning Commission and the Macon Water Authority are independent authorities that provide planning and zoning and water throughout the county.

²⁷ Special Purpose Local Option Sales Tax, commonly referred to as SPLOST.

competitive edge in attracting and maintaining industry both within Georgia and with neighboring counties. Commissioners also acknowledged that other consolidated governments in Georgia present positive role models.

Proposal

Generally, city-county consolidation in Georgia originates with the county or city governmental body or a grassroots citizen group drafting a charter for the proposed consolidated government. In the consolidation effort prior to 2011, a local commission drafted a charter proposing consolidation, but the proposal was never enacted by the General Assembly or submitted to a vote of residents. In 2010, legislation was introduced in the General Assembly that incorporated recommendations of that charter commission.²⁸ The 2010 bill failed to receive senate approval, and in 2011 two separate bills proposing consolidation were introduced by House and senate members of the Bibb County delegation. Several consolidation methods are available in Georgia and have been used in previous consolidations. Even though all involve the legislature at some point in the process, it is unusual—albeit not entirely unprecedented—for a consolidation effort to originate in the legislature.

Although the two consolidation charters had a number of areas of agreement, there were four major points on which they conflicted: the size and structure of government, partisan or nonpartisan elections, the role of the sheriff in law enforcement, and fiscal restrictions on the new government. Both charters vested legislative authority in a commission/council and executive authority in the mayor. The bills contrasted in two respects:

- Council/Commission: senate bill had an 11-member council vs. the House bill, which had a 9-member commission
- Administrator/Manager: senate bill provided for a chief administrative officer with limited authority vs. the House bill, which provided for a chief operating officer who is given much more authority

Law enforcement authority under the new government—specifically whether it would be the responsibility of the elected county sheriff or an appointed police chief—was an area of conflict between the House and senate consolidation charters. Under Georgia law, the sheriff has significant independence from the county commission. The issue of law enforcement is therefore a controversial matter in any Georgia city-county consolidation. The House bill provided that the sheriff would be responsible for all law enforcement in Macon–Bibb County, while the senate version vested law enforcement authority in a chief of police, with the sheriff retaining only his constitutional responsibilities (i.e., jail, courthouse security, and warrants).

Concern over the financial status of the two existing governments as well as that of the proposed new government also led to a third area of notable variation between the two consolidation proposals. Both allowed for the creation of special taxing districts to allow the new government to collect ad valorem taxes and fees based on the type and level of services as well as special districts for previous debt. Both proposals limited the first year’s budget to a maximum of the combined fiscal year budgets of the two governments plus increases due to inflation as specified

²⁸ HB 1161 (1999); Unification Commission for Improved Government (1999), created by General Assembly (HB 134).

in the Consumer Price Index. However, each imposed different ongoing budget restrictions during the first five years following consolidation. The House proposal provided for a 5 percent reduction in spending over the first five years, while the senate bill mandated a 20 percent reduction over the same period. Although not directly tied to the budget, the status of county and city employees post-consolidation affects the ability of the consolidated government to control or reduce costs. The senate bill did not directly address that issue whereas the House bill gave current employees of the county and city hiring preference in the new government, implying that current employees would be terminated. However, neither proposed charter addressed the cost issues of equalization of employee salaries or benefits, with the exception of providing that the pension rights of current employees would be protected.

Outcome

Both of the Macon–Bibb County consolidation charters put forward in 2011 passed in their originating body but failed to garner sufficient support to pass in the other legislative body. Thus, no referendum was held on the question of governmental consolidation. Local officials expressed frustration over the unwillingness of the legislative delegation to reach a compromise as well as what was perceived as a lack of understanding of the complexities of combining the local governments. Several theories pertaining to race, personality, and politics were advanced to account for the disagreements within the legislative delegation. While race can often be a factor in Southern politics, it is not clear that it was the most significant factor in the failure of the 2011 legislation. In recent races for the Macon mayor, Bibb County commission chairman, and state legislative officers for Bibb County, there was substantial African-American support for white candidates and white support for African-American candidates. Rather, personal and political conflicts between Republican and Democratic sponsors of the competing bills appear to have been a greater problem. Each of the sponsors was wedded to his own bill, making a compromise ultimately unattainable.

Nevertheless, there appears to be a fairly high level of certainty among county officials that city-county consolidation is likely to occur at some point in the not too distant future. Bibb County commissioners who were interviewed were adamant that a single government would be more efficient, but they were equally sure that such efficiency could only be achieved through creation of a small elected body (jointly, the county and city governing bodies currently have 21 members—5 county commissioners, 15 councilmembers, and a mayor). Significant dissatisfaction was expressed with both charters because each perpetuated the fragmented structure found in the city, with separation of the mayor and council.

The city mayor supports continuing a strong mayor form for a consolidated government. The city council appears to be, at best, divided on the issue of governmental consolidation. It has often been suggested that some of the opposition to consolidation is a result of concern over its potential impact on minority representation. This issue is often raised during consolidation efforts in the South. Furthermore, any districts that were created would need to be approved by the U.S. Justice Department under the Voting Rights Act. It must be noted, however, that the chairman of the Bibb County Commission is an African-American who was elected countywide, defeating a white candidate—an important step forward for the community.

The Bibb County legislative delegation has expressed its intention to introduce new legislation in the 2012 session of the Georgia General Assembly. Although city and county officials do not agree on all aspects of a potential consolidation, such as the best size and form of government, there is agreement on other issues such as the need to establish a county police department. Local officials also indicated that in order for the citizens of Bibb County and Macon to support consolidation, it will be important for legislators to seek public input earlier in the process, fully explain the proposed legislation in public forums, and put forth a strong public relations effort.

Lessons Learned

1. Don't avoid discussing the difficult issues. Addressing issues such as law enforcement, the size and structure of the new government, service delivery, taxes, and allocation of debt is crucial to the success of a consolidation. Seek input from county and city elected officials during preparation of the consolidation charter. Local officials understand the operations of their existing governments and can propose effective solutions. That input from these officials was not sought in the Macon–Bibb County proposal process in the past is perceived as a significant flaw.
2. Be honest with the voters. Fully explain the proposed consolidation to members of the public and listen to their concerns and suggestions. A voter may approve of the concept of consolidation but oppose specific aspects of the charter because they have not been adequately explained. Alternatively, a voter may feel that his or her concerns have not been heard. It only takes one reason to vote against consolidation. This level of public input was not sought from Bibb County voters in the past, and if the proposal had been brought to a vote, this omission may have resulted in a failed referendum.
3. Don't ignore the elephant in the room. Race is often a reality in politics, particularly Southern politics. The role of race in contemporary Southern politics remains complex and is not often discussed openly. A history of institutionalized segregation, discrimination, and disenfranchisement, although significantly moderated in recent decades, continues to impact politics and elections in the South. Section 5 of the federal Voting Rights Act continues to apply to elections throughout most of the South, requiring approval of state and local election changes by the U.S. Justice Department. However, it should be noted that personalities may have a similarly powerful effect on efforts to bring about structural change.
4. If you fail, don't be afraid to try again. The tenacity of Bibb County and Macon's consolidation proponents in putting consolidation forward, even after successive failures, demonstrates that if you really believe that structural change is good for the community, keep up the effort. While timing is crucial, so is the ability to take advantage of the opportunity when it arises.

Shelby County, TN: Appreciating the Importance of the Public

Population	927,644
Race: White	40.6%
Race: Black	52.1%
Ethnicity: Hispanic ¹	5.6%
Median Household Income ²	\$41,825
Individuals with Bachelor's Degree	21.7%
Poverty Rate ³	15.5%

Source: U.S. Census Bureau, 2010 Census and 2007–2009 American Community Survey

1. Can be either white or black

2. Adjusted to 2009 dollars

3. Individuals living in poverty

Introduction

In November 2010, Shelby County voters decided against consolidating the county with the City of Memphis. State law requires majority approval in two separate elections: the primary city (i.e., Memphis) and the remainder of the county. Although the charter was viewed as comprehensive, apprehension on the part of those living outside Memphis about what change would entail resulted in strong opposition to the charter. Furthermore, the consolidation proponents had little time to educate the public about the contents of the charter, although it is unknown whether more time would have made a difference. Whether consolidation happens in the future is highly dependent on multiple factors such as the status of the two school districts, increased trust in the new city mayor, and public confidence that a consolidated government will ultimately result in greater efficiency and lower taxes.

Background

The failed November 2010 consolidation referendum was not Shelby County's first attempt, and some believe it will not be the last. The county and the City of Memphis (city) have held votes on consolidation twice before, in the 1960s and in the 1970s. Before 2010, the issue had been discussed informally in the community for 10 years.

The governments themselves are very different, particularly with regard to demographics and density. Unincorporated county residents are predominately white (66%) while the majority of Memphis residents are black (63%); however, because 70 percent of the population lives within city limits, the entire county is majority black. Poverty rates are also strikingly different, with Memphis having a poverty rate of 25.3 percent, while the entire county (which includes residents within Memphis) has a rate nearly 10 percentage points less at 15.5 percent. In terms of density, the unincorporated areas of the county are more rural than Memphis, although there are several smaller cities within the county as well.²⁹

With approximately 6,000 employees,³⁰ Shelby County provides traditional county services and a handful of municipal services, including fire for the unincorporated area and some of the cities

²⁹ Arlington, Bartlett, Collierville, Germantown, Lakeland, Millington, and Piperton are partially located in Shelby County.

³⁰ Data are from the FY 2012 Shelby County operating budget.

outside Memphis. Fire service is paid through user fees on property. The government has a \$1.18 billion budget, including \$361,288,000 from local taxes that are transferred to schools. The largest expenditure categories are schools (30.9%), debt service (13.9%), and sheriff (13.3%). The major revenue source is property tax (60.1%), followed by intergovernmental revenues (state and federal combined 22.4%), nearly all of which are for the schools. The county has an executive-commission form of government, although in Shelby County, the executive's title is mayor. There are 13 commissioners: three in each of four districts plus one in a fifth district, with a majority of the commissioners representing residents of Memphis. Even though consolidation appears to be a long-standing issue in the community, the county and city have functionally consolidated only a few services over the years, which may be one reason why proponents continue to discuss it.

The latest consolidation effort began in spring 2009 with the county's mayor, A. C. Wharton Jr., conducting a series of community forums, or "listening tours," to discuss consolidation with citizens and understand what they would want from a metro-government. This effort was supported by chairs of the Memphis City Council and Shelby County Board of Commissioners. Assisting with this effort was a nonprofit organization called ReBuild Government that would come to be the primary "pro-consolidation" organization. With the county mayor and commission in favor of consolidation, the county passed a resolution to create a charter commission. The city council was also in favor of the consolidation and approved it later that fall. Additionally, in July 2009, the long-serving mayor of Memphis resigned, and Mr. Wharton ran for the post,³¹ which he won. He started his new position in October 2009.

Although both governments were under fiscal stress due to declining property values and concomitantly lower tax revenues, it was not the driving force behind the consolidation effort. Rather, the effort was driven more by perennial and long-term issues. One of the most important concerned tax rates of the city and county, which when combined are the highest in the state. Proponents argued that over the long term, a metro-government would be better able to control costs and therefore property taxes. A related issue was the belief that consolidation could increase government efficiency by eliminating duplication (e.g., combining similar departments). Finally, proponents believed that consolidation would spur economic development by allowing a new government to speak in a single, unified voice. Currently, the county and city are not always "on the same page" with regard to economic development projects.

Proposals

The charter commission was composed of 15 members appointed by the county and city as directed by state law. State law requires the commission to include at least one official or employee from the county and another from the city. Interestingly, because of the timing of Mr. Wharton's election to city mayor, he was able to appoint both the county and city commission members. The commission also included a government labor representative. Those interviewed agreed that the commission process itself was very open and deliberative. The commission created taskforces to research specific areas, which included several consolidated governments. The members did nearly all the research themselves, as they had only \$50,000 provided by the county (per state statute) to pay for a fiscal study and hire attorneys. Because of the lack of funds, assistance from the county attorney was very valuable to the charter-building process.

³¹ Mr. Wharton had stated his intention to run for the position when the term expired in 2011.

ReBuild Government also assisted in the effort by conducting 12 public surveys on the charter provisions. Funds for the surveys came from donations, mostly from local businesses and corporations. Per state law, the commission had only nine months to write the charter, which was finalized in August 2010, just three months before it was to be voted on in the general election.

In terms of the document itself, the charter was considered well written and thorough. Most of the provisions received consensus approval, although there were a few controversial items, which the commission did try to resolve, using public input as a guide. Furthermore, the commission tried to address the most serious concerns of suburban residents. One of these was the creation of a countywide police force; residents outside the city believed that having an appointed police chief would give the new mayor too much power. The charter also included a charter review commission to ensure the document continued to meet the needs of the community.

Several issues were raised by opponents of consolidation, many of them to do with public trust. Interviewees cited several reasons for failure (listed below); however, they differed in opinion as to their relative importance. A few of these concerns are often raised in consolidation debates. Whether the alleged problems prevent passage of consolidation legislation depends on whether the public believes that they truly will be addressed through the charter.

- Taxes would increase for those living outside Memphis. The charter included a provision for an urban tax district, so residents who do not receive Memphis services would not have to pay for them. Furthermore, the charter included a property tax cap to encourage efficiency gains by the new government. Many citizens wanted a guarantee that taxes would decrease with consolidation; however, it is not possible to make such a promise since no one can predict what decisions an elected body will make in the future.
- The metro-mayor would have too much power. Much of this fear stemmed from the previously Memphis mayor, who served 18 years and was considered by many to have had a “heavy-handed” approach to governance. County residents are much more supportive of Mayor Wharton, and perhaps if he had been in office longer, this issue would have dissipated. Furthermore, the charter included term limits for the metro-mayor so there could not be a many-termed mayor.
- Memphis and Shelby County schools would be consolidated. The size and performance of the two districts reflect their demographic differences. The city school district dwarfs that of the county in size (approximately 100,000 students in the former and only 40,000 in the latter). Furthermore, 87 percent of students in Memphis schools are economically disadvantaged, and tests have shown that many of the students struggle academically. In contrast, county schools are more affluent, and their students perform higher on national and state tests. Polling data from ReBuild Government showed that school consolidation was the biggest concern in creating a metro-government. The charter commission tried to address this issue by including a provision that the two systems would not be consolidated with the government and that school consolidation would require a referendum.
- The small cities and unincorporated area would be “swallowed up” by Memphis. All of the cities outside of Memphis chose not to participate in consolidation and so would have retained their identity; however, those living in the unincorporated area did not identify

with the city as this area is relatively rural and residents wanted to protect their way of life.

- Race would become a factor. The difference in racial composition between the city and county was an element in the consolidation debate. A few African-American leaders were concerned that the black vote would become diluted in a consolidated government, even though the council districts would need approval from the U.S. Justice Department under the Voting Rights Act. However, the community has made some progress in race relations over time. For example, Mr. Wharton was the county's first black mayor. Furthermore, since the county is majority African-American and has a sizable Hispanic population, county officials have to appeal to a diverse population in order to be elected.

A critical issue in the charter's approval was the nature of the election. According to state law, consolidations require majority approval from two separate elections: one for residents in the primary city (i.e., Memphis) and another for those living outside the primary city. There was no countywide election. Therefore, residents living outside the city had considerable veto authority. Many in this group had been skeptical if not absolutely opposed to consolidation from the beginning. Because of the short time frame between when the charter was finished and the November election, proponents had little time to educate the public about the charter and, in their opinion, dispel misconceptions about what would happen under consolidation (e.g., consolidation of schools, creation of an urban tax district, term limits for the mayor).

Even before the charter was completed, campaigns developed for and against consolidation. Each campaign held a series of presentations, coffees, etc., to share their perspectives. Both relied heavily on grassroots efforts to "get the word out." However, the opposition focused its attention on voters outside the city, knowing it only needed this vote to stop the referendum. In contrast, proponents needed to convince all voters countywide to support the charter. Mayors representing the cities outside Memphis strongly opposed consolidation, as did the newly elected county mayor (Mayor Luttrell was sworn into office September 2010). In addition, some public employee union leaders were wary of potential layoffs that were intended to realize efficiency gains and therefore opposed consolidation. Those for consolidation included the city's leadership and several prominent business leaders. It was their hope that the new government would promote economic development.

Outcome

Considering the polling figures, the election outcome was not particularly surprising to those who were heavily involved. Residents outside the city voted overwhelmingly against consolidation (85% voting no, approximately 80,600 total votes) while those in the city approved it by a slim margin (51% yes, approximately 133,600 total votes). As can be seen by the number of votes, turnout was much higher in the suburbs than in the city. The total number of votes both for and against consolidation from both elections indicates that the referendum would have failed with a single countywide vote as well and would have shown strong opposition on the part of suburban residents and tepid approval from those in the city.

Since November 2010, the county and city have started working together more, particularly in the area of economic development. The governments are undertaking some joint economic development projects, including a "one stop shop" for new businesses and relocations. To the

degree the two governments can build off these efforts and perhaps expand to departmental consolidations that lead to increased efficiencies, future calls for consolidation may wane.

Soon after the election, the Memphis school board voted to relinquish its charter, essentially forcing consolidation with the Shelby County School District. Some posit that the reason for the school district's dissolution was to save the city money, since the latter annually contributes over \$70 million to the former. City residents supported the merger through a referendum in March 2011. The county sued to stop the consolidation but was unsuccessful. The state legislature passed a law in 2011 creating a new 23-member merged Shelby County School Board and a 21-member transition team. Finally, the bill lifted a ban on creating special and municipal school districts, enabling the suburban cities to create their own districts if they so desire. The impact that a Memphis City Schools–Shelby County Schools merger will have on city-county consolidation is still unknown, as issues such as school funding and taxation and municipal school districts remain uncertain.

Lessons Learned

In the case of the Shelby County–Memphis consolidation effort, the lessons come from both what was successful in the charter campaign as well as the challenges that arose.

1. Several ideas were offered to smooth the process of preparing a new, potentially controversial government charter:
 - a. Research and track what community residents want in their new government. ReBuild Government worked with the consolidation commission in conducting multiple surveys concerning charter priorities and concerns. Several findings were integrated into the final document.
 - b. Spend time on what kind of elected body will work best for the community. Because both the county and the city had elected executives, citizens were comfortable with maintaining this type of government, although there were concerns about the degree of authority a metro-mayor should have.
 - c. Analyze the types of financial safeguards for citizens that should be included in the charter and balance those against the flexibility that the new government may need. Because of the public's wariness with a metro-government, the charter commission included fiscal constraints such as tax caps and tax districts and a charter review commission.
2. When considering major structural change, provide sufficient time to develop a thorough plan and to educate voters. Mayor Wharton conducted a series of "listening tours" about consolidation, which was a good start, but the consolidation commission had only nine months to write the document. Had commission members had more direction before the process started, it would have been easier for them. Furthermore, three months in which to educate the public about a new charter is very little time, particularly for a change as big as consolidation.
3. Develop grassroots support. Both proponents and opponents developed grassroots efforts to present their views to the public. Leaders of both sides felt this was a necessary strategy.

4. When developing a plan for structural change, adhere to important values such as inclusiveness in the process and improving government efficiency and effectiveness. People, whether they be the public or employees, expect for there to be a reason to support change. Many times, the bigger the change, the more resistant people can become. This point dovetails with the first lesson: Ask the public what it expects from government and follow through to the extent possible.

Vanderburgh County, IN: Consolidation as Part of “Government Modernization”³²

Population	179,703
Race: White	86.2%
Race: Black	9.1%
Ethnicity: Hispanic ¹	2.2%
Median Household Income ²	\$41,825
Bachelor’s Degree Attainment	21.7%
Poverty Rate ³	15.5%

Source: U.S. Census Bureau, 2010 Census and 2007–2009 American Community Survey

1. Can be either white or black
2. Adjusted to 2009 dollars
3. Individuals living in poverty

Introduction

City-county consolidation, referred to here as reorganization, has been of interest to Vanderburgh County residents for many years. However, newly enacted property tax caps have placed greater urgency on restructuring local government in order to become more efficient. Rather than wait for a fiscal crisis, members of the community decided to embark on a reorganization effort in late 2009. With a plan approved by both the county and its primary city, the citizens will have an opportunity to vote on the issue in November 2012. Although the state-mandated process is lengthy and questions about the reorganization plan have been raised, proponents believe that they have the time to fully educate citizens, thus bolstering the chance of success.

Background

With an annual budget of \$63.4 million (FY 2011), Vanderburgh County provides an array of public services, but the majority are those traditionally offered by counties. It is located in the southwestern part of Indiana and serves as a regional hub for shopping, health care, and higher education. Its primary city is Evansville,³³ with a population of 117,429 and an annual budget of \$227.2 million (FY 2011). The city has been slowly losing population to the suburbs because of “urban flight” for the last several years but still represents approximately two-thirds of the county’s entire population.

The current reorganization movement is not the first for Vanderburgh County and the City of Evansville; there were efforts as far back as 1974 and as recently as 2006. In 1974, citizens had an opportunity to vote on consolidation. Even though they decided against it, the city and county recognized the potential opportunities available through functional consolidation and began a practice of jointly funding services. By 2011, the governments had consolidated 12 services³⁴ in

³² Refers to policy agenda of Governor Mitch Daniels and laws passed in 2006 to encourage local government reorganization.

³³ The county includes only one other municipality: Darmstadt.

³⁴ Animal Control, Area Planning Commission, Building Commission, Central Dispatch, Chief Information Officer, Computer Services, Emergency Management Agency, Human Relations Committee, Legal Aid Society, Purchasing, Traffic Engineering, and Weights and Measures.

addition to their unified school district and library and parks systems. Over the decades, consolidation continued to be discussed and studied. In 2006, a proposal was sent to the state legislature for approval, which was necessary in order for citizens in Vanderburgh County to vote on the legislation. The bill did not pass, however, and the effort was terminated.

In that same year, the state legislature approved important legislation on local government reform. Governor Mitch Daniels and several members of the legislature had been advocating for “government modernization,” including the streamlining and consolidation of local governments. As part of this agenda, the state passed a reorganization act (IC 36-1.5-4.8), which laid out a formal process for local governments to voluntarily reorganize. The law sets forth a reorganization process for consolidation, and by following those steps, local governments no longer need legislative approval for structural change.

In fall 2009, members of the Chamber of Commerce approached the local chapter of the League of Women Voters about sponsoring a petition drive to begin the consolidation process. The Chamber believed that a vote on consolidation was important and that the League would be the most appropriate group to lead the effort. The League itself does not have an official position supporting or opposing reorganization, although the organization believes that the public should have an opportunity to vote on this perennial issue. Therefore, the League agreed to lead the petition drive. Within a few months, it had gained a sufficient number of signatures to present the document to the city and county. In January 2010, both the county commission and city council approved resolutions creating a study committee, officially starting the reorganization process.

Proposal

The city and county appointed a 12-member reorganization committee (each government appointed 6 persons) that was responsible for developing the consolidation plan. Although the law requires that some actions be taken in developing a plan, such as undertaking a fiscal analysis and completing it within one year, committee members had considerable freedom to create a plan that they felt was best for the community. The governments supported the reorganization effort by giving the committee access to government employees and contributing \$100,000 for research and other expenses. However, the committee did not receive much direction from city and county leaders on what the plan should include, which resulted in some wasted effort, according to the committee chair.³⁵

Those interviewed believed that the process went well and was very open. All meetings of the full committee were televised, and members of the public, including interest groups, were allowed to state their concerns and opinions about particular provisions. In terms of developing the plan, subcommittees researched specific areas, giving reports to the full committee for final decisions. The committee also researched other consolidated governments in developing the plan.

There was consensus among committee members, except with respect to a few contentious issues. Most of the debate concerned adopting a manager or strong mayor form of government (the latter was chosen), type of election (partisan was kept), number of districts, and whether to have a police department separate from the Sheriff’s Office. As is common in consolidation

³⁵ Reorganization Committee Chair, Rebecca Kasha.

plans, the new government would create tax districts based on service levels and outstanding debt (e.g., city services). Having made the necessary decisions, the committee submitted its plan within the statutory period to the elected bodies of the county and city for approval.

Under state law, a county and city may adopt the reorganization plan unchanged, revise the plan, or reject the plan, but both the city and the county must approve the same plan in order for a referendum to be held. Each government held several meetings to review the documents and allow public input. Based on conversations with citizens, the elected officials changed two of the plan's provisions: increasing the number of districts from 11 to 15 and keeping the current City of Evansville Police and County Sheriff Departments unchanged. Several homeowner associations and neighborhoods within the city wanted to keep the police department, so the issue of whether to maintain a separate police department or have the sheriff patrol countywide has been deferred until 2022, 10 years after the consolidation election. With these changes, the county and city approved the reorganization plan in September and October 2011, respectively. With the election taking place in November 2012, citizens will have plenty of time to learn about the plan and make a decision on whether to support it.

The decision to reorganize will be based on a single countywide vote, which was agreed to by the county and city in the initial reorganization resolution.³⁶ Some residents are now calling for a separate vote for those living outside Evansville; however, changing the voting structure would require restarting the reorganization process, which at this point is not viewed as fair to the majority who want the vote to be held as originally decided.

The reasons generally given for supporting this consolidation are similar to those cited in other consolidation efforts, with the exception of an impending financial crisis. Currently, both governments are in sound financial shape. However, reorganization proponents are concerned about future fiscal stress because of a constitutional amendment that Hoosiers overwhelmingly approved in 2010 creating property tax caps for local governments. City-county reorganization is viewed as a means of eliminating government duplication, enable better control over government spending, and provide greater public accountability, all of which will be necessary under the new revenue limits. However, state law requires the reorganized government to retain the current nine elected county offices, which could limit future plans for major reorganization.³⁷

Supporters also believe that reorganization will help spur economic growth and community revitalization. The new government would be able to foster growth by speaking with a single voice. Currently, the county has a three-member commission—the overall policy-making body—plus a council, which is the fiscal branch of the government. The city has a nine-member council with a full-time mayor. With reorganization, there would be a mayor and council, acting as a single point of leadership for the region. Others believe that consolidation can provide an opportunity to revitalize the area by creating a new beginning, particularly for Evansville, which has been losing population except for increases due to annexation. Finally, proponents see the success of other nearby consolidated governments like Indianapolis–Marion County's Unigov and Louisville Metro and believe that consolidation can happen in Vanderburgh County as well.

³⁶ State law allows local government choices as to how to manage the referendum. There can be a single vote or two: one in the major city and another outside it.

³⁷ Auditor, assessor, Clerk of Circuit Court, coroner, prosecuting attorney, recorder, sheriff, surveyor, and treasurer.

There are several concerns about reorganization and other issues that will play a part in whether the plan is ultimately approved by voters.

- Many citizens expect a savings guarantee in order to support consolidation, which cannot be given because no one can predict what budgetary decisions a future elected body will make.
- Others have raised concerns that the mayor under the new government would have too much power because the position does not have a term limit—although Evansville mayors have never had term limits, which historically has not been a problem.
- Those outside the city are worried they will have to pay the debt for Evansville’s new stadium. However, that debt is not being repaid through property taxes. Furthermore, the reorganization plan creates a debt service district for properties in the city.
- The one other municipality in the county, Darmstadt, has opted not to participate in the reorganization. Since this is a small community, this decision should not disrupt the overall ability of the new government to reorganize and meet its efficiency goals.
- The current mayor of Evansville supports reorganization but is not running for re-election in November 2011. Whether the new mayor supports reorganization will likely make a significant difference in whether the effort is successful.
- Southwest Indiana has a very active Tea Party movement that is strongly opposed to reorganization. These constituents are concerned that the change will ultimately increase the cost of government. However, the state’s Republican governor supports consolidation in order to increase efficiency.
- Some people are just afraid of change.

Even though this list of concerns appears challenging, proponents believe that once the public is educated about the plan, most of their concerns will fade. Therefore, having a year in which to educate the public is seen as a major positive factor for passage. The League of Women Voters expects to play an active role in that education process.

Outcome

Both the County Commission President and the Reorganization Committee Chair³⁸ are optimistic about the reorganization’s chance of success. They believe that the plan will be palatable to the public. Furthermore, the business community supports the effort. To the degree the economy continues to wane, the public may become more open to a new governance model in order to boost economic growth.

Lessons Learned

Although the consolidation vote has not yet occurred, those who were interviewed believe that the process to date still offers interesting lessons for other governments that are considering structural change.

³⁸ Lloyd Winnecke and Rebecca Kasha, respectively.

1. When developing a proposal for major structural change, policy makers should listen to the population that opposes the change with respect and honesty and be open-minded to their concerns. The reorganization committee had a very open process, accepting public input from a variety of community stakeholders. In addition, the county commission and city council amended the plan to address citizens' concerns about the organization of public safety and the size of the proposed council.
2. Even if a citizen-led committee is used to develop a restructuring plan, elected officials can still play an important role by providing guidance on what to consider and whom to contact and by facilitating meetings. This kind of assistance can make the process run more smoothly and therefore take less time.

Dutchess County, NY: Strong Leadership with a Plan

Population	297,488
Race: White	80.1%
Race: Black	9.9%
Ethnicity: Hispanic ¹	10.5%
Median Household Income ²	\$68,804
Bachelor's Degree Attainment	31.4%
Poverty Rate ³	9.0%

Source: U.S. Census Bureau, 2010 Census and 2007–2009 American Community Survey

1. Can be either white or black

2. Adjusted to 2009 dollars

3. Individuals living in poverty

Introduction

The Dutchess County executive and his staff knew that because the county had a strong executive form of government, management of the fiscal impacts of the new economy would fall primarily on their shoulders. In 2010, the executive and his staff had already seen many signs of economic deterioration but nothing quite as bad as what they were about to face. The realization hit Bill Steinhaus, the county executive, in the first stages of budget development when finance and budget staff came to him with an initial revenue projection of about \$375 million. At the same time, expense projections for 2011 from all county departments and elected officials totaled \$415 million—after departments were told to submit a “bare bones” budget. The executive and his staff therefore knew they would need to think and act strategically if they were to avoid laying off as many as 300 employees in order to close the budget gap and be able to get buy-in from a legislature that could occasionally be resistant to executive leadership.

Background

Dutchess County is located in the lower Hudson River Valley approximately 70 miles north of New York City. The county budget for 2011 is \$403.9 million and its outstanding debt is \$110.7 million. Sales taxes are the largest source of revenue (\$132.5 million), followed closely by the property tax (\$100.6 million). The county has a deserved reputation for fiscal responsibility as indicated by a bond rating that is higher than 84 percent of counties rated in New York, a healthy unreserved fund balance of \$29.9 million (approximately 7.4 percent of the budget after two years of fund balance withdrawals), and a history of lower than average tax rates for similarly situated communities. The fiscal health of the government may have in part contributed to (as well as benefited from) a healthy local economy. From 2000 to 2007, the county's unemployment rate hovered around 4 percent, substantially below the national average.

Nevertheless, Dutchess County has been significantly impacted by the recession and associated decline in the housing market as well as increased demand for social services. Specifically, the county experienced large increases in the number of taxpayers who paid their property tax bills after the due date (a 32 percent increase from 2007 to 2010), foreclosures, and social service caseloads (which increased by 57 percent from 2007 to 2011). At the same time, the full value assessments of property in the county decreased by \$5.6 billion from 2008 to 2011, a 17 percent

decline. Even as property tax levies fell short, so too did revenues from other sources (e.g., mortgage tax receipts, interest income, and transportation aid). Dutchess County's nondiscretionary expenditures for pensions, health insurance, and workers' compensation have risen significantly in recent years, far beyond the number of actively employed staff or inflation. Dutchess County, for example, experienced an increase of 110 percent in state pension costs since 2009 even though the staff count declined during the same period.

Among the more substantial challenges faced by the county executive are the operation of and partial payment for social services that in many other states are entirely operated and paid for by the state. The budget staff estimates that the county is responsible for approximately 25 percent of social service expenditures. During economic downturns, when greater demands are placed on these services, the actual cost to the county can grow substantially. Counties that are facing increased expenditure demands due to mandated levels of service might be less stressed were the state to increase aid level. However, this has not been the case in New York. Instead, the state has made cuts in state aid to counties and enacted policies that have resulted in a further loss of revenue to the county (e.g., approximately \$2 million in losses in 2010–2011 alone). Perhaps the coup de grâce for the county has been the enactment by the state of a 2 percent cap in the growth of the property tax levy. Such a cap would mean the county would not be able to generate the additional revenue needed for the upcoming year to pay for the projected \$3.2 million increase in state-mandated costs, not to mention other nondiscretionary costs such as increasing state pension payments and other inflationary costs required to run the county government.

The county executive's first response to the signs of economic stress was to lobby state officials to help ease the burden of state mandates, particularly in the areas of education and social services. In addition, he attempted to encourage state legislators not to impose a cap on local property tax increases—a cap that could cripple local governments at a time when they are most in need. Realizing his efforts to change state policy might be futile, the executive was faced with two remaining options: raise other taxes or user fee revenues or cut spending through bold restructuring initiatives. Given that the majority of elected officials in the county are Republican, the county executive, himself a Republican, knew that the latter option was likely the most viable. However, Mr. Steinhaus also realized that people's opinions could differ dramatically as to what kind of bold restructuring would be acceptable.

Fortunately, the county executive had for years challenged his staff to think long term “politically, culturally, and attitudinally.” He realized that part of his job was appreciating opportunities for proposing initiatives. Having seen the signs of economic stress early on, the executive and his staff had already worked to prime the public to accept proposals that in a more healthy economic time would have been unacceptable. The county, according to Mr. Steinhaus, should always “brand” itself and its plans in such a way that people view new proposals as being the natural outcome of the challenges, circumstances, and context articulated by staff. In this regard, the executive challenged his staff to build a brand of county values, managerial skills in line with those values, and a carefully phrased story line designed specifically to build the credibility of the county. “By establishing the reputation of the entire team of managers,” Mr. Steinhaus said, “you have a fighting chance that someone is going to listen.”

Since the county executive's actions prior to the fiscal crisis helped build this story line, Mr. Steinhaus could point to specific actions:

- Keeping a strong fund balance and being cautious in terms of filling vacancies when he first began to sense an economic downturn.
- Using evidence-based models and integrating artificially "siloe" operations.
- Explaining all of the things the government has already done to reduce costs, improve efficiencies, and trim staff and budgets.

Proposal

The county executive, while proposing substantial cuts, laid out an ambitious and multi-faceted plan to respond to the expected loss of revenues in a period of simultaneously expanding expenditure demands. The key elements of this plan included the following:

- Restructuring on two fronts: The county would consolidate departments and outsource selected services to lower-cost providers. The departmental consolidation would result in four fewer departments. The most challenging of these involved merging the agencies of Aging Services, Veterans' Affairs, and the Youth Bureau. Other mergers involved combining Finance with Real Property, Human Resources with Personnel and Risk Management, and Health and Weights and Measures.
- Staff cuts: The county executive proposed cutting 101 positions. The largest cut would be to the Mental Hygiene Department. Essentially, the proposal was to outsource some of the mental health services to private contractors who could staff their operations with workers who were to be paid substantially less (when salaries and benefits are included) than the county employees currently performing the work.
- Program change: The county executive proposed having the family court use public defenders in lieu of private, court-appointed ones for clients who had a right to counsel.
- Sheriff: For the sheriff, the executive proposed budget cuts for staff, overtime, inmate housing expenses (for inmate housing outside the county), vehicles, and operational supplies.
- Information technology: The county would move to an IP-based phone system and new computer systems for selected departments.
- Revenues: The government would establish a user charge for the Resource Recovery Agency so as to offset a \$1.4 million increase in expected expenditures.
- Benefits: Elected officials and managers/confidential employees would begin to pay health care premiums.

According to the county executive and his staff, being successful in moving proposals forward involves more than preparing the public and getting the attention of legislators. In order for the proposals to be effective, staff need to be assured that the proposals can actually be implemented in the limited period between when the new budget takes effect and savings are realized. Assurances are especially needed when it comes to departmental reorganization/consolidation proposals. In this regard, Mr. Steinhaus and his staff sought to lay the basis for the proposed reorganization by bringing together internal stakeholders such as finance, IT, legal, and HR. As Betsy Brockway, head of the Health and Human Services Cabinet, noted, proposed changes in human services delivery needed state approval and waivers. Furthermore, this approval had to

occur simultaneously with the planning process due to the short time frame in which to react to the fiscal crisis.

More generally, county staff suggested the importance of managing the time between proposal development and legislative action. In this regard, the county executive felt that the best strategy was to be the voice of realism: “During fiscal stress, people, staff in particular, may be tired of the old saw of ‘doing more with less.’ What they appreciate and need is someone who will say, ‘Ok, due to circumstances, we have to adapt, and we may at some point have to ‘provide less with less.’” While Mr. Steinhaus and the county staff were prepared to dole out a dose of realism so as to help reduce the stress on employees, they were not entirely willing to give up on new budget expenditures that could result in savings over the long term. The proposals to move to an IP-based phone system and new computer systems for the courts and other departments were seen as long-term investments with large payoffs.

Because departmental consolidations had to be implemented as part of the budget process and it was not clear they were going to happen until far into the process, staff had only a few weeks to ready their agencies for implementation. One staff member observed that the impact of a short time frame for implementing bold responses to fiscal stress can work two ways. On the one hand, it would have been beneficial to have had more time. On the other, a short time frame can be a blessing because staff do not have time to become too concerned over something that may not happen.

Legislative Activity

In interviews with legislative leaders, it was clear that while they did not agree with the county executive on all counts, they did respect his leadership and managerial skills, particularly in regard to setting goals such as not raising taxes during times of fiscal stress. While legislative leaders felt that the county executive may have proposed a budget that included some reductions that the legislators would want to restore, they were able to adopt the overarching goal of not raising taxes, as long as they were allowed leeway to work toward it their own way.

The legislative leaders tended to describe their position as weak relative to the executive’s. They indicated that the county executive has substantial experience, intimate knowledge of county government, a professional staff, and significant structural powers whereas individual county legislators are less powerful due to factors such as the large size of the legislature (25 part-time representatives), substantial turnover (e.g., 7 out of 25 positions in one year), and a small staff with no budget experts.

During the budget process for FY 2011, legislative leaders became aware of the fact that they would be asked to make critical decisions based on their own assessment of the executive’s budget. Not having their own budget analysts, the leaders requested that they be allowed to participate in building the budget within the individual departments, i.e., that they be able to attend the budget meetings that have traditionally been internal to the executive branch. This desire on the part of some legislators to play a role at this stage was rebutted by the county executive for reasons related to protecting the executive branch’s prerogatives and to the legislative branch’s refusal to meet the executive’s conditions. While the legislative leaders appeared to understand the executive’s rationale, they still expressed a need to bolster their own

ability to participate more effectively in the budget process (e.g., by being able to hire staff with budget expertise).

The Outcome

Ultimately, the legislature passed the vast majority of the executive's proposals either entirely or in part. The combined expenditure impact of staff cuts and reorganization efforts can be seen by comparing the 2011 budget with the 2010 modified budget:

- A 7 percent decrease in expenditures for Mental Health (approximately \$2.3 million)
- A 16.6 percent decrease in expenditures for Health (approximately \$2.8 million)
- An 8.9 percent decrease in expenditures for Services for Aging, Veterans, and Youth (approximately \$0.6 million)

The departmental consolidations and personnel cuts were not as stressful as one would expect. The county was fortunate in that most of the people whose positions were being eliminated as part of the consolidation were ready to retire. Immediate salary savings for multiple commissioner positions (i.e., executive managers) were therefore realized. Similarly, many of the staff members whose positions were eliminated as part of the cuts to Mental Hygiene became private contractors to the county and continued delivering the services. Finally, by preparing for fiscal stress by leaving some vacancies, having an available fund balance, and including opportunities for early retirement, the county eliminated only 87 of the anticipated 101 positions and actually laid off only 12 active staff members.

While numerous other service areas also experienced cuts in appropriations due to personnel eliminations, the county's overall anticipated expenditures were only 1.1 percent less than the 2010 modified budget. This outcome was partly due to mandated or obligatory expenditures in areas such as Early Intervention, Solid Waste, and Juvenile Detention. The changes in expected employee and elected official contributions to health insurance certainly contributed to the lower than average increase in the amount budgeted for health insurance (i.e., 0.9 percent compared with 2.5 percent in the 2007–2008 budget cycle).

The executive's proposals were not fully implemented in those areas where the legislators felt more study or consideration was needed before approval. These included:

- The proposed movement toward a public defender arrangement in family court. Objections from the judges made it clear that a model that worked well for criminal courts may not work as well for family courts. However, it is expected that a compromise arrangement may be feasible as the county moves forward.
- Cuts to the sheriff's office. Most of these were not approved.
- A proposed user charge for the Resource Recovery Agency. It was felt that the agency's funding problems might be resolved when the current contract for operating the facility expires in a couple of years.

The proposal that elected officials pay health premiums was enacted, but there was some delay and turmoil in enacting the proposal as it pertains to confidential employees. This legislature

agreed with the executive, but neither had anticipated the reaction of some employees (i.e., forming a union in order to block the proposal).

Overall, the county executive and his staff believe that the reorganization effort was successful. They attribute the success to a way of leading that incorporates fiscal responsibility into the status quo and to being straightforward with legislators, employees, and the public.

Lessons Learned

1. Keep a close eye on the economy and prepare early for fiscal stress by keeping a strong fund balance, using conservative revenue projections, and slowing the filling of vacancies. In Dutchess County, the county executive used all these strategies, which resulted in his goal of balancing the budget while not raising taxes being met. Furthermore, he was able to minimize actual layoffs.
2. Develop a clear and convincing story line about what the county has been doing all along to implement good government. This communication builds trust and confidence by demonstrating that leadership has not avoided the government's problems and can create effective solutions.
3. Use experts on staff to prepare the public and legislators. Again, using experts builds confidence because it shows those who leaders are trying to convince that leadership not only understands but also has the capacity to solve the problem.
4. Build budgets around a clear goal that aligns with community values and evidence-based programs and services. The county executive appreciated the viewpoint of citizens; rather than trying to change it, he accepted it and created a clear budget goal of not raising taxes.
5. Be realistic and don't try to sugarcoat the situation or demand that staff perform miracles. The county executive was honest with legislators, employees, and the public and therefore did not create unrealistic expectations. As a result, the legislature and the public were prepared for the difficult choices that needed to be made.

Johnson County, KS: Reorganization for Sustainability

Population	544,179
Race: White	86.0%
Race: Black	4.3%
Ethnicity: Hispanic ¹	7.2%
Median Household Income ²	\$73,548
Bachelor's Degree Attainment	50.6%
Poverty Rate ³	5.3%

Source: U.S. Census Bureau, 2010 Census and 2007–2009 American Community Survey

1. Can be either white or black

2. Adjusted to 2009 dollars

3. Individuals living in poverty

Introduction

To address decreasing property valuations while keeping tax rates in check, Johnson County decided to undertake major organizational reforms. Starting with internal committees and then hiring outside experts, senior management with the county commission has been implementing options to reduce discretionary spending and the workforce by 15 percent without layoffs over the next couple of years. The linchpin to their success has been careful planning and thorough reviews. Although the county's strategy was not a "quick fix," leadership believes that it will result in long-term financial sustainability while preserving service levels.

Background

Serving the largest population in the state, Johnson County is a complex government with 38 departments, approximately 4,000 employees, and an annual operating budget of \$648 million (FY 2011). Although the county continues to gain in population (10,000–12,000 per year), the government has experienced negative property valuations for the last two years. To balance the budget, the government decided to reduce costs by being more efficient rather than raising the millage rate. Instead of making across-the-board cuts or decreasing service levels, the county has been looking strategically at its service delivery processes. The county commission is a big supporter of the resizing initiative, and members are providing an oversight function in the effort.

The resizing initiative and efficiency goals have been aided somewhat by a new charter that voters approved in 2000. Two of the more significant changes included eliminating three row officers (county clerk, registrar of deeds, and treasurer) and assigning the county manager more authority over support functions. The treasury function was consolidated with the finance department, and the responsibilities of the registrar of deeds and the county clerk were merged with the Department of Records and Tax Administration.

However, the power the manager has over the remaining two elected department heads and five board-managed departments³⁹ is still limited. The employees in these departments do not report directly to the county manager. Although these departments submit their budgets for review to

³⁹ Elected department heads are the sheriff and district attorney. The board-managed departments include the library system, Parks and Recreation, Mental Health, Developmental Supports, and the airport.

the manager, once a budget has been approved by the commission, the elected officials and boards are free to spend it as they wish.

The current initiative is an extension of earlier cost-saving efforts. At the end of 2008, the county began experiencing fiscal stress. The administration therefore created an efficiency review group called the “Belt Tightening Committee” composed of senior management that looked at reducing discretionary spending costs such as: commodity purchases, professional memberships, take-home vehicles, and travel. After researching and analyzing their options, the committee wrote a report and established a new set of guidelines on these issues.

However, when senior management realized that needed cost savings were going to be greater and take longer to achieve, the committee reconvened a year later under a new name, the “Slim Committee” (as in needing to slim down government). This time the committee was directed to look at ways the workforce could be restructured to create a fiscally sustainable and more effective government over the long term. Its first action was to halt new hires. The committee continues to review any position requests. Before an outside candidate is hired to fill a vacancy, the committee tries to match internal employees, whose positions may no longer be critical due to efficiency gains, with the vacancy. As part of this effort in March 2010, Johnson County decided to hire the Matrix Consulting Group (Matrix) to perform a comprehensive organizational review of the government’s structure and operations.

Proposal

The county’s goal is to reduce the size of its workforce by 15 percent over the next four to five years but to do so using attrition instead of layoffs. For the past three years, it has been able to meet its savings requirements through attrition and without furloughs or salary reductions.

To help with the effort, Johnson County directed the consultants to examine several facets of the organization, including consolidating departments or programs in order to reduce duplication of effort, determining span of control, placing functions at an appropriate level in the hierarchy, and outsourcing, sharing services, and managing competition. The belief was that outside experts could give a fresh perspective. Senior management specifically told Matrix that it was receptive to every alternative. The county gave Matrix a very aggressive timeline. The consultants provided an initial assessment, and the government did its own in-depth analysis based on their recommendations.

Matrix’s report, issued in March 2011, included 34 specific recommendations, with wide variations in scope, potential cost savings, and ease of implementation. The recommendations include the following:

- Centralizing staff and/or further integrating support service functions in areas such as human resources, information technology, fleet maintenance, and the legal department
- Merging the Departments of Mental Health, Public Health, and Developmental Support
- Merging staff of the county manager and board of commissioners
- Integrating all county employees, including those under elected department heads, under common human resource policies
- Making greater use of electronic documents

Some of the recommendations might appear to be relatively minor, yet they are estimated to have significant financial impacts. For example, moving the support functions of Parks and Recreation to the county's own support departments is estimated to initially save \$250,000, while combining switchboard operations of two departments and a single information call line is expected to save \$48,000. Other recommendations did not have a particular dollar value assigned to them but are anticipated to save staff time and generate efficiencies, such as using electronic signatures in order to reduce reliance on paper documents. Other recommendations are about improving effectiveness, such as centralizing and coordinating public information efforts across departments in order to convey a consistent message to the public and deciding upon a single logo to better "brand" the county.

As part of the review, the consulting team conducted a span-of-control analysis, comparing the "span-of-control" ratios in the county with those of similar governments. The results showed variation by department and service. On average, however, Johnson County has a lower supervisor-to-employee ratio than do comparable governments. Management has decided to expand the span of control in order to increase efficiency. However, this change will occur over time through attrition and departmental reorganization.

The county undertakes a thorough evaluation before a recommendation is implemented. For each recommendation, the county creates a study committee composed of staff with expertise in the department/function. The study committee includes a member of the senior management team, who serves as the recommendation's "sponsor" (an accountability mechanism). It is the sponsor's responsibility to ensure the recommendation receives a fair and comprehensive review. The study committees also involve the budget and human resources directors so that the impacts of the recommendations on these two areas are fully vetted. If a recommendation is accepted, the group will review the progress of implementation as well. Senior administrative staff recognizes that this additional analysis results in more upfront time and effort but believe that over the long term, the goal of greater efficiency while maintaining service quality is more likely to be achieved.

Even with the thorough review process, implementing some of the recommendations may be difficult, particularly those that would be managed by elected officials and boards, because the county manager, Hannes Zacharias, does not have direct management control. In the former case, he will need the support of the elected official to proceed; however, the manager has received cooperation in the past and is fairly optimistic. In the latter case, the boards often include appointees who are strong advocates for the services and who may be hesitant to consolidate their agencies with others because they are concerned about losing management control or decreasing their programs' visibility. Furthermore, several of the boards are established under state law, making consolidation of these departments more complex. Ultimately, leadership will have to assess not only the human resource and financial impacts of the recommendations but also the political ramifications when deciding whether to proceed.

The recommendations will be implemented over two years in groups called "flights." Mr. Zacharias believes that having a schedule helps reduce employee anxiety about organizational changes since employees can gauge when they might be affected. There are four flights, and the

county has already made progress on several recommendations. The schedule is based on several criteria, including the immediacy of anticipated cost savings, ease of implementation, and importance in non-quantified efficiencies. However, the schedule is somewhat flexible in that it will shift based on new opportunities, such as attrition, that might make departmental consolidation less disruptive. Furthermore, according to the commission chairman,⁴⁰ the economy may influence the implementation schedule. If the economy significantly improves, recommendations that are perceived as challenges for organizational or political reasons may not be implemented within the two-year time frame. If the economy worsens, implementation will likely become more urgent.

In addition to the specific recommendations listed in the report, the consultants provided the results of their countywide employee survey, which had a very high response rate (1,855). The survey asked employees their opinions about organizational structures and processes, span of control, and opportunities for consolidation. The findings mirrored the issues that leadership is trying to address. Responses to the questions and additional written comments suggested that employees support streamlining government by reducing duplication, improving communication across boundaries, and increasing span of control. Overall though, employees thought the government was well run.

Engaging employees has been a key concern of senior management in the reform effort. Mr. Zacharias believes that cultural changes need to occur in order for the reorganization to have lasting impact. He has made a concerted effort to communicate in a straightforward manner with employees about the process and the need for it (i.e., fiscal stress). Furthermore, he truly wants employees to be comfortable with the changes. He feels that employees need to: 1) be treated with respect, 2) believe that those who perform well will still have a position, and 3) understand that the reorganization is about not just cutting jobs but improving efficiency countywide. In sum, the communication goal has been to be truthful about the reform and budget but to provide hope.

Although the reform process has focused on expenditures, the county is also looking at its fees as a means of increasing revenues. In reviewing the government's approximately 1,000 different fees, staff is taking into consideration statutory, practical, and political implications, with the goal of creating a fee structure that is fair and that conforms to the best financial management practices.

Outcome

Through its initial reform efforts, the county has saved approximately \$12 million in each fiscal year from 2009 through 2012. Management anticipates further savings over the next two years, totaling nearly \$28 million, through decreased growth rates.

The county has made the following workforce reductions through attrition:

2010: 33 positions

2011: 159 positions

2012: 151, with an additional 147 by the end of the fiscal year

⁴⁰ Interview with Chairman Ed Eilert on August 1, 2011.

To reach its long-term goal, the county plans on reducing 609 tax-supported positions (FTEs) by 2014. Leaders acknowledge that the upcoming cuts will be more difficult, as staffing elasticity has been eliminated, particularly with regard to replacing a needed vacant position with a person whose position is scheduled to be eliminated.

The commission has been very supportive of the reform efforts, even merging its own staff with that of the county manager. Commission members recognize the need to be practical in terms of saving money and accepting that organizational changes will happen throughout the fiscal year, not just through the formal budget process. In turn, Mr. Zacharias gives the commission quarterly updates on implementation of the reorganization.

Lessons Learned

1. Regardless of financial conditions, it is worth it to review governmental operations in order to improve efficiency. In the new economy, elected officials and staff should make this analysis part of their normal practice and not wait until the government experiences fiscal stress. However, reform means that a government cannot be afraid of change, which should be viewed positively by members of the organization.
2. When undertaking major reforms, continuously provide a great deal of information to employees about the goals of the reforms and the implementation processes. Minimizing fear of change requires extensive communication. If employees believe that they are being treated fairly and understand the reasons why reform is needed, their acceptance will come more readily, with fewer organizational disruptions.
3. Keep expectations in check and plan reform. In Johnson County, the reform effort is occurring over a few years. The county sacrificed quick victories in order to avoid layoffs and reductions in service levels, but leaders believe that their hard work will preserve service quality for citizens. By taking the time to thoroughly research and plan for reform, the county will be in a better position to achieve its goal of long-term financial sustainability.

Washoe County, NV: Staying Focused on Priorities

Population	421,407
Race: White	76.9%
Race: Black	2.3%
Ethnicity: Hispanic ¹	22.2%
Median Household Income ²	\$55,227
Bachelor's Degree Attainment	26.6%
Poverty Rate ³	12.5%

Source: U.S. Census Bureau, 2010 Census and 2007–2009 American Community Survey

1. Can be either white or black

2. Adjusted to 2009 dollars

3. Individuals living in poverty

Introduction

For the last several years, Washoe County has been working to establish a financially sustainable government that meets the priorities of citizens. The latest reform effort has involved a comprehensive organizational review to find new, more efficient methods of service delivery. Some of the proposed changes include consolidating departments, using technology to a greater extent, changing personnel practices, and expanding regional service. Because the county has developed a culture around continuous improvement and has sought input from a variety of stakeholders as part of the reform process, officials are optimistic that the county can reach its cost-saving goals over the long term.

Background

The population of Washoe County has grown substantially over the last decade (24%), with a concomitant increased need for services. In addition to providing traditional county services like courts, elections, and social services, the county also provides fire protection and parks and recreation. The county's total appropriations for all governmental funds for FY 2012 equaled \$567.8 million,⁴¹ while spending in proprietary funds is budgeted at \$102 million.

The county also has a strong record of working with its cities and neighboring governments to provide services regionally in order to reduce costs and/or improve the level of the service. Prime examples include the following:

- Creating a regional health department in order to qualify for more federal grants
- Building a countywide animal shelter that would allow for a much larger and higher quality facility
- Developing a unified snow removal plan, where roads and streets are cleared using the equipment of the county and city based on agreed-upon priorities
- Building a unified regional emergency communications system, with 14 agency participants

⁴¹ FY 2012 amended final budget. Includes fund balance and transfers out.

The government sought to improve alignment between spending priorities and revenues well before the current economic downturn, which helped the county tremendously when severe budget cuts became necessary. Starting in 2001, the county created a citizen-led committee that included elected officials, union representatives, and a member of the Nevada Tax Payers Association⁴² to look at means for improving governmental efficiency. The citizen group also developed spending priorities, which charted a spending course for the county to use in good and difficult times. The following programs were designated to receive priority funding:

1. Public safety (sheriff and fire)
2. Judicial, health, and safety
3. Support services (administrative units)
4. Parks, recreation, and libraries

The county validated these priorities through a random sample phone survey of citizens. Having the priorities has helped county officials withstand pressure from interest groups and citizens who objected to spending reductions in their favored programs or services.

The recession has hit Washoe County particularly hard. Property values have decreased over the last few years by at least \$2 billion from a total digest of \$13.7 billion,⁴³ or approximately 13 percent. After four years of dramatic budget cuts totaling more than 20 percent of the budget, the county still had not achieved what leadership perceived as a sustainable level of spending. With more reductions needed, management implemented a new method for evaluating the budget. In 2011, through an internal review of departments, management categorized services as core, non-core, or administrative and proposed different reduction levels based on these three categories, which were also aligned to the earlier service priorities. Core services were cut by an additional 1.7 percent, non-core by 2.7 percent, and administrative by 2 percent. The internal review identified \$5.7 million in reductions and the elimination of 44 positions. The total budget savings for that year equaled \$31.1 million when other actions were included such as eliminating COLAs for a fourth year, increasing efficiencies, and using a fund balance that the government had created during the strong economy.

The total budget impact over the last five years (FY 2008–2012) is rather staggering. Total cuts to the budget equal \$154 million and a 20 percent reduction in the workforce (769 positions). The positions were eliminated through a combination of attrition and layoffs (242 layoffs in total). Savings were accomplished through consolidating departments and reducing personnel overlap in supervisory and management positions. The most difficult fiscal year was 2009, when the county had to reduce the budget by \$60 million and lay off 91 people. Due to their severity, these cuts have resulted in real impacts on services. For example, library hours have been reduced by 25 percent, pavement conditions have deteriorated, park hours are fewer and maintenance levels are lower, and citizens must wait longer for some services. To make up for the personnel shortages, the county has begun relying heavily on volunteers. Last year, the county estimates it received \$1 million worth of volunteer hours of work for various departments.

⁴² NV Taxpayers Association is a -nonprofit interest group that “promotes the cause of the taxpayer for responsible government at a reasonable price” through advocacy and research. www.nevadatxpayers.org.

⁴³ FY 2012 amended final budget. Total assessed value as of June 30, 2011.

These reductions were also made with a highly unionized workforce, as state law requires collective bargaining. The employees have been very understanding about the government's fiscal situation, agreeing to pay cuts, increases in their health insurance premiums, and forgoing COLAs; however, eligible employees still receive annual step increases.

Similarly, citizens have been very supportive of the county because they understand that the government is trying its best to provide services in a very difficult fiscal environment. Surveys have also shown that the public appreciates how hard county employees are working, so there has been relatively little criticism of the government's choices and operations. Furthermore, the willingness of members of the public to volunteer time is another testament to their support.

Even after all of these changes to county operations, both the county commission and senior management knew that more reductions were needed in order to achieve financial sustainability. This time, the government decided to hire an outside consultant to undertake a Fundamental Services Review with the goals of achieving \$5 million in savings in the first year and an out-year target of \$15 million annually. During the review, no program, service, or policy was considered sacred in order to allow a fresh perspective and new ideas.

The county manager, Katy Simon, asked the government's advisory Organizational Efficiency Committee (OEC) to help develop the proposal and select a consultant. The majority of OEC members come from the private and nonprofit sectors. The group, which the county created several years ago, provides advice to the county on how to implement best private-sector practices. By including the OEC, the county manager sought to get the private sector's "stamp of approval," which would be helpful when it came time to implement the study's recommendations.

The chosen consultant, Management Partners, conducted an independent assessment of all programs and services beginning in spring 2011 and presented its findings to the county in late July. As part of its research, the consultants interviewed community leaders, all of the county's elected officials, OEC members, and department directors and senior management and surveyed all employees. However, due to the short time frame given for the study, the report could not offer in-depth analyses for all its recommendations.

Proposal

The consultants offered 64 recommendations, with an estimated savings of \$30 million. The goal of finding savings was a challenge because so much of the "low-hanging fruit" had already been identified in previous budgets. The lead consultant stated that he had never seen such a bare tree.⁴⁴ The recommendations focused on five areas: organizational structure, staffing and compensation, business processes, service delivery, and an "other" category.

Many of the recommendations may be difficult to implement because the county does not have total control over them and they require state legislation or cooperation from other governments and/or unions. The report rated recommendations based on the difficulty of implementation- A through C, with A as representing the county commission having sole authority, B as requiring

⁴⁴ Interview with Katy Simon, Washoe County Manager, on July 20, 2011.

support of the county's independently elected officers, and C as needing the support of an outside (i.e., independent) entity.

If the county commission had chosen to implement all of the recommendations over which it had sole control, the annual savings were estimated to be \$14.4 million. However, this amount includes new taxes as well as technology improvements, with a hefty initial price tag. For example, one recommendation for changing business processes would result in an estimated \$710,000 in annual savings but also would require a \$3 million initial investment.

As part of the study, the consultant also conducted an employee survey, receiving more than 1,300 responses. The findings showed employees as being very open to change, particularly in regard to consolidating departments, instituting different delivery options, and employing technology to improve service quality or efficiency. According to the county manager, this latter response is indicative of the county's overall culture. In fact, Washoe County was named the number one digital county for its size in 2011.⁴⁵ Employees also believed that the county could not decrease current spending or staffing levels without impacting services, given several previous years of budget reductions.

After the report was released, the county manager developed a process for reviewing and implementing the recommendations. The county's Strategic Planning Commission (SPC) is serving as the executive steering committee during the implementation phase. The primary responsibilities of the SPC are to develop evaluation criteria and prioritize the recommendations. The SPC is composed of elected and appointed department directors, the chair and vice chair of the citizen-led OEC, and the chair of the county commission. The diverse membership of the SPC was an important consideration in the reform process, as it created links to the county commission, the OEC, and the elected row officers who are all key participants in the Fundamental Services Review.

Assisting the SPC was the Technical Advisory Committee (TAC) composed of employees with specialized training in leadership, facilitation, performance measurement, etc. These subject matter experts and leaders served as a "pool of resources" for projects. The group also oversaw the analysis of more than 1,800 comments from the employee survey.

The SPC and the TAC went through a series of steps to prioritize the study's recommendations. In the first round, recommendations were grouped into high, medium, and low priorities according to their fiscal impact—the main goal of the study. The groups then focused on the 40 items considered to be high priority. The SPC and TAC members assigned point values based on agreed-upon criteria. The most points were assigned to fiscal savings (max 60 points), followed by improving operations (40 points). The least number of points (20) were assigned to a category called "public input," which included value to the community and improving customer service. The SPC and TAC held a final priority-setting meeting open to the public in which citizens and government officials alike participated, using the old-fashioned "sticky dot" method of facilitation.

⁴⁵ 2011 Digital Counties Survey. Sponsored by Center for Digital Government and Government Technology. www.gmis.org/news/ on October 20, 2011.

Ms. Simon also created an implementation team composed of herself and her assistants, the director of management services, and representatives from the finance, technology, and human resources departments. The county manager also borrowed two star performers from other departments to assist the team with project management. Because of the short time frame for the study, the consultant could not undertake an in-depth analysis of every recommendation, leaving the responsibility for analyzing how the proposed reform would be implemented and measuring all the projected costs and savings to the county. Therefore, the implementation team has been undertaking this responsibility using the two borrowed employees and establishing ad hoc groups. The feasibility studies are particularly important for recommendations perceived as being more difficult to implement such as those that would require agreement from unions (e.g., personnel changes made through collective bargaining) or the county's cities (e.g., joint city-county departments).

Outcome

Based on the SPC and TAC work, county staff recommended that the county commission accept items as either completed, in progress, in feasibility analysis, next in line for feasibility analysis, or needing a commission policy decision.

Examples of recommendations in process:

- Creating a regional fire service (\$2.6 million in savings)
- Consolidating the public works, community development, building and safety, and water resources departments to create a Municipal Services Agency (\$900,000 savings)
- Extending the vehicle replacement schedule

Examples of recommendations that are under feasibility analysis:

- Revising some entry-level salaries (\$193,000 savings)
- Contracting out for court security (\$275,000 savings)

Examples of possible future reforms:

- Consolidating departments to create a Human Services agency
- Allowing for adjustments to standard work weeks for some departments through collective bargaining
- Creating a cost-based schedule for all fees

The county commission approved all of the staff's recommendations except for instituting a 1 percent vehicle excise tax (estimated \$8 million in revenue) and finding alternative funding options for new capital investments.

Because of the diversity of recommendations and their impact on different groups, Ms. Simon believes that having a wide range of support will help the reforms come to fruition and assist with their long-term success. She regularly communicates with the county commission on the reform's progress, and the members have been very encouraging of the entire process. By including and receiving support from the Organizational Efficiency Committee, the county can count on backing from key members of the private sector as well. The county manager has been very forthright with the leaders of the collective bargaining units as well. For example, she does

not send out an email to all the employees without first sending a draft to union leaders so that they are prepared and not “blind-sided.”

Elected department directors have been open to the review process, which the county manager believes is reflective of the government’s overall culture. In fact, the sheriff is a member of the SPC. These elected officials have not viewed the budget crises and Fundamental Services Review as solely a county commission problem, realizing that they too need to ensure that their offices utilize limited resources in the most efficient way possible. Perhaps because the fiscal stress has been so severe, citizens likely expect all officials to tighten their belts; not doing so could be perceived as irresponsible.

Finally, county leaders appreciate that employees must accept the need for reforms in order for them to be implemented successfully. To date, the employees have been extremely dedicated, working hard through years of budget and personnel reductions. As with any major change, however, some employees are nervous, making communication a critical component to maintaining morale. The county manager regularly sends out emails on the status of the reforms as well as Web streaming the consultant’s presentation on every county computer.

Overall, the county manager believes that the reform process has gone very well. Although the initial savings are not as large as originally hoped, she is confident that over the long term, the county will reach its ultimate goal of establishing a financially sustainable mix of revenues and services. In some respects, a few of the 64 recommendations were a bit optimistic, while others did not materialize as they were dependent upon actions by other jurisdictions⁴⁶ or lacked community support. Still others may result in savings but not to the general fund (i.e., grant- or fee-funded services). The county manager believes that the greatest opportunities for cost savings come from consolidating departments, thereby eliminating layers of management and increasing the supervisory span of control. Some recommendations will take time to implement, such as creating a multi-jurisdictional building permit process. However, Ms. Simon views the Fundamental Services Review not as a short-term solution to the recession but as a long-term process to improve productivity and efficiency.

Lessons

1. Establish a culture of continuous improvement. By creating a bias toward innovation, stakeholders will be more supportive of change and be more adaptable. Results of the employee survey showed that employees were open to changing departmental structures, advancing regionalism, and using technology. Furthermore, citizens will likely be more supportive of service changes because they trust that the government is working to improve.
2. Work from data, not opinions. Look uncritically at the data and be open to the findings. Ask what concerns are raised so that they can be addressed. The county is collecting data as part of its feasibility analyses in prioritizing reforms. By having objective data, management can make better decisions about moving forward with a project.

⁴⁶ References a recommendation to gain new revenue by housing prisoners for the State of California since the state must reduce overcrowding. California has chosen to send prisoners to in-state jails.

3. Be transparent and inclusive when making changes. To garner and maintain the support of stakeholders regarding proposed reforms, the most important being employees, it is better to overkill communication. For example, the consultant's presentation of the reorganization report was Web streamed to every desktop. The county also understands that it needs to share information with the public, posting information about the budget and proposed reforms (e.g., the consultant's presentation) on its Website.
4. Anchor services to the public's priorities but balance them with best management practices. Leadership should not assume it knows what the public wants but instead collect quantifiable, objective data. Washoe County has a history of using citizen surveys to learn about service priorities and how to improve services. These data have helped the county withstand criticism regarding the severe budget cuts. However, this focus is tempered by the recognition that the county needs to also focus on long-term issues. For example, the county built large fund balances during good economic times rather than lowering taxes or expanding services. Therefore, in the last few years, the government has been able to utilize fund balances in order to offset budget cuts.

Cumberland County, ME: Addressing the Issues

Population	281,674
Race: White	92.8%
Race: Black	2.4%
Ethnicity: Hispanic ¹	1.8%
Median Household Income ²	\$54,385
Bachelor's Degree Attainment	38.8%
Poverty Rate ³	10.1%

Source: U.S. Census Bureau, 2010 Census and 2007–2009 American Community Survey

1. Can be either white or black

2. Adjusted to 2009 dollars

3. Individuals living in poverty

Introduction

Cumberland County citizens approved the county's first charter in November 2010, 250 years after the government's creation. The charter aims to increase efficiency, accountability, and representation, although the county's overall governmental structure remains the same. The most significant changes include adding two county commissioners, eliminating two row officers, expanding the county's borrowing authority, and assigning administrative authority over all the county's management functions to the county manager. The county manager believes that the charter referendum was successful because it limited governance changes to those issues that needed to be addressed.

Background

Adopting a charter was not a new idea for Cumberland County; there had been two prior attempts in 1982 and 2004. The county commission decided to attempt another charter effort because its members believed that the county needed additional representation and the service flexibility that a charter can offer. Previous to adopting the new charter, the government functioned under authority established by state law.

The county commission voted to initiate a charter commission in March 2008, with voters selecting the commission members in the following November elections. The charter commission consisted of six publicly elected members and three public officials appointed by the county commission. The charter group worked for nearly two years to write the charter, submitting a final draft to the county commission in August 2010. The charter commission held several meetings to receive public input on the document. It thus understood and could focus on those issues considered most important to the voters.

Proposal

Changes to the current government focused on enhancing governmental operations and electoral representation. Furthermore, the county hopes that with a charter, it is in a better position to receive federal grants and thereby expand important community services like those funded from the Community Development Block Grant program.

Because Cumberland County is the most populous county in the state, advocates believed that expanding the county commission size from three members to five would make the body more representative. Instead of each member representing approximately 91,000 constituents, the number would decrease to about 55,000.

From a management accountability perspective, the charter included several important provisions. First, two of the county's six independently elected row officers were eliminated (the treasurer and registrar of deeds),⁴⁷ with their responsibilities being fulfilled by appointees. The county has retained four row officers: sheriff, district attorney, probate judge, and registrar of probate, as these are provided for in the state's constitution. However, these constitutional officers do not have carte blanche authority over their departments; administrative duties are the responsibility of the county manager. The new charter dictates that "the county manager shall assume responsibility for all county elected, appointed, and professional positions and their entities, services and functions,"⁴⁸ enabling the government to maintain a unified personnel and budgeting system. The manager stated that he has worked well with the row officers, particularly during recent budget challenges that required a 5 percent reduction in workforce.

Home rule is also expected to give the county greater flexibility in providing services, particularly in regard to providing those services that would benefit from economies of scale. For example, the county currently provides public safety dispatch to 18 of its 28 cities. With this new opportunity, the entire area may be able to reduce operating costs in the future.

The charter also formally created a finance committee consisting of municipal representatives to provide recommendations concerning the annual budget to the county commission. This municipal representation is important because the county does not have independent authority to assess property taxes and must rely on transfers from its cities for this revenue source, which makes up 65 percent of the county's budget. The new finance committee's recommendations will have more weight under the charter because the commission must explain in writing why it has rejected any of the committee's recommendations, thereby improving financial accountability. To the extent the cities support the county's spending plan, they should be more willing to transfer property tax revenues to Cumberland County.

Finally, the charter dramatically increased the county's ability to borrow money without a referendum, from a mere \$10,000 to \$4.1 million. This increase was seen as very important for the government to undertake needed repairs and improvements to public facilities.

There appeared to be little organized objection to the charter; it was supported by the county government, the cities, and even the constitutional officers. The manager believes this last group appreciated the fact that the evolution of authority was inevitable. Furthermore, local newspapers also came out in support of the new charter.

Although no formal opposition to the charter existed, the charter commission nevertheless held several public hearings to learn what the public wanted in the new charter. Since lack of public input was seen by some as the reason why earlier efforts had failed, the county worked hard to

⁴⁷ The positions will become appointed once the terms of the current officeholders expire.

⁴⁸ Cumberland County Charter, Section 4.2.1.

inform the public about the charter by posting information and the charter itself on its Website and having the commission hold public work sessions on the charter.

Outcome

The referendum passed easily in 2010, with well over 60 percent of the population voting yes. In fact, small towns that had rejected previous charter attempts supported this one. The additional representatives started serving their four-year terms in January 2012. So far, county officials are pleased with the new charter and are working to expand the community development program.

Lesson Learned

1. The public may resist change, particularly when it comes to something as important as adopting an initial charter. Therefore, counties should focus on what really needs to be done. As the old saying goes, “If it ain’t broke, don’t fix it,” which was Cumberland County’s approach with its charter. The county kept the same form of government but listened to the public’s concerns (i.e., more representation) and made those changes that were believed necessary in order to increase governmental efficiency and effectiveness over the long term.

Lane County, OR: A Charter to Meet the Future

Population	351,715
Race: White	88.3%
Race: Black	1.0%
Ethnicity: Hispanic ¹	7.4%
Median Household Income ²	\$42,154
Bachelor's Degree Attainment	27.6%
Poverty Rate ³	16.3%

Source: U.S. Census Bureau, 2010 Census and 2007–2009 American Community Survey

1. Can be either white or black

2. Adjusted to 2009 dollars

3. Individuals living in poverty

Introduction

In November 2010, citizens of Lane County approved changes to its charter clarifying the ability of the Board of Commissioners to reorganize the government and delegate authority for reorganization to the county administrator. A charter review committee had been created to guide the effort. Lane County provides a good lesson for others that a government's charter will likely benefit from periodic review. Such a review can clear up inconsistencies and ensure that the government is able to meet future organizational demands in order to achieve efficient and effective governance.

Background

Before the recent charter amendments, the Lane County charter was ambiguous as to the scope of the Board of Commissioners' authority to organize the government. One section of the charter gave the commission authority to organize the government, but another required the provision of certain services and listed the departments that would deliver them. Although previous county commissions had created and merged departments over the years without public objection, the current board members recognized that the departmental structure did not strictly match the charter's requirements, even though all of the required services were being performed. According to the county's local newspaper,⁴⁹ since the commission was faced with poor revenue forecasts and thought it might need to reorganize, members wanted to ensure they had the incontrovertible legal authority to do so. Although no reorganization was ultimately proposed for the upcoming fiscal year, the county is now in a sound legal position to reorganize if need be.

Furthermore, the commission realized that the government did not have a systematic process for reviewing the charter in order to ensure that the governing structure matched current and future demands.

Proposal and Outcome

County commissioners approved three charter amendments to be placed on the ballot for the November 2, 2010, election. The first, 20-174, allowed "the county to add or eliminate

⁴⁹ Matt Cooper, "County Seeks Charter Changes," *The Register-Guard*, October 20, 2010, B1.

departments while ensuring that there are no changes to current services and functions provided.”⁵⁰ Because the commission also wanted the county administrator to be able to move rapidly to implement organizational changes if needed, a second charter amendment was included, 20-175. Although the commission already can delegate authority, the creation and elimination of departments are specifically listed as duties of commissioners, and some officials felt that their ability to delegate could be questioned if the charter was not amended. Finally, the third amendment, 20-176, clarified language that departments headed by independently elected officials like the sheriff would be unaffected by the first two amendments. Each of the measures passed with at least 65 percent approval.

The voters also approved a measure to create a volunteer charter review committee. The volunteer committee submitted its recommendations to the county commission by the official July 2011 deadline. The committee reviewed a broad spectrum of issues related to the charter, including those related to retaining row officers, housekeeping language, and even the number of commission districts. On some issues, the committee felt it lacked adequate time and expertise for a full evaluation and thus “tabled” them; other issues were rejected outright. In its review, the committee considered a number of questions⁵¹ such as whether the current charter provisions adhered to the state’s constitutional and statutory requirements, if the provisions unreasonably limited options for organizational efficiency, and whether some provisions should be ordinances. The committee analyzed each of the new provisions in light of whether they would actually improve governance without considering their likely level of potential political support.

Although the committee studied many different charter options, the group ultimately presented seven specific recommendations to the commission, including minor wording changes for clarification, eliminating unnecessary provisions if they are already addressed through state law or are no longer applicable, and changing the residency requirement to run for a district commission seat. The committee made an overall recommendation that additional public discussion and information was needed on those issues that had been “tabled.” The committee also indicated its willingness to extend its term to address those issues if the commission directed it to do so.

At the time of this writing, the county commission was in the process of reviewing the recommendations and plans to make a final decision on whether to put them forward in a public referendum in the near future.

Lesson Learned

1. Review the charter to ensure that the county’s “constitution” is still appropriate for current needs. Even if a charter review results in only clarification or housekeeping changes, the process can potentially avert blockage of important governance changes. This issue is particularly relevant when counties undertake a reorganization to deal with fiscal stress.

⁵⁰ Ibid.

⁵¹ Lane County Charter Review Committee: Report to the Board of Commissioners. June 2011. Lane County, OR.