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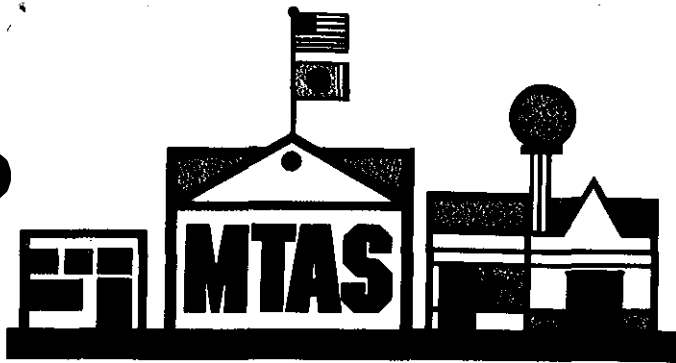
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TECHNICAL BULLETIN

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HOW TO SURVIVE ANOTHER BUDGET

By Robert W. Freson, Municipal Management Consultant

Each year, city officials are faced with the problem of how to stretch available financial resources to meet the needs of their community. With anticipated continued reduction in federal funds (including the possibility of the elimination of revenue sharing) and the resistance on the part of taxpayers to tax increases, there is every indication that this problem will increase in the future. There are various approaches which can be taken to lessen this problem, including strategic planning, privatization, and reducing costs.

Strategic Planning

Strategic planning is a process that forces us to look at where we are now, where we want to be in the future, and how best to get there with the limited resources that we have. It is a step or two beyond the normal annual budget process.

To be effective, strategic planning must involve community leaders other than those holding elected or appointed office. This is important because strategic planning is more than just a device to adopt a plan; it is a process which could unite the community by developing common goals and working to achieve these goals.

Strategic planning should start with a review of the economic base of the community since this is the foundation which determines what financial resources will be available to carry out various projects. You should be familiar with the major industries in your community, who owns them, and what plans they have for the future.

Decide what types of enterprises you want to encourage in your community, such as financial, tourist-related, retail warehousing, etc. Next, draw up an economic development plan, taking into account four categories: (1) retention (keeping what you have); (2) expansion (helping them expand); (3) generation (starting new ones); and (4) attraction (bringing existing ones into your area). The final phase of strategic planning involves combining those projects which your economic development plan has identified as important with those projects already planned or underway, including your regular municipal services. You now need to set priorities since you probably will not have the resources to carry out all of the various programs and projects which you have listed.

First, list each program and project and rank them from zero to five in each of these three categories: (a) how will they meet your economic development plan, (b) how will they meet a community service need, and (c) the degree of public and private political support which they will receive. On the basis of total scores and further discussion, assign each program or project a priority of either high, low, or medium.

Next, using a scale of zero to five, evaluate each program and project on the basis of: (a) your organizational ability, (b) funding, and (c) political capital. Once again, assign a priority of either high, low, or medium.

Finally, using three matrices as below, place each project in its proper box:

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		PUBLIC PRIORITY		
		HI	MED	LOW
HI	AA			
	NP			
	IA			
MED	ZB			
	AI			
	TL			
LOW	II			
	OT			
	NY			

F
U
N
D
I
N
G

		PUBLIC PRIORITY		
		HI	MED	LOW
HI				
MED				
LOW				

P
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		PUBLIC PRIORITY		
		HI	MED	LOW
HI				
MED				
LOW				

As a result of the above steps, you will be in a position to develop a strategic plan which will assist you in making budget, organization, and political decisions. These decisions might involve those steps necessary to move projects from one location to another on a matrix. Strategic planning can fulfill two important functions: first, it can unite your community by bringing various people together as a part of the process; and second, it can assist you in making important decisions for your community in allocating your limited resources of people and money.

Privatization

Privatization is the "contracting out" to the private sector of municipal services or construction projects. Some examples would be transit services, solid waste collection/disposal, utility billing, street construction/maintenance, police/fire protection, ambulance services, parking, animal control, parks and golf courses, wastewater treatment plant construction/maintenance, building maintenance, data processing, code enforcement, planning, sewer cleaning, tree removal/trimming, and vehicle maintenance. Privatization has been used by various communities in Tennessee and across the country for these and other services.

Some of the possible advantages of contracting out are lower cost, less need to increase the size of government, fewer problems for government to deal with, less regulation, access to specialized skills and equipment, and avoiding debt.

Some of the possible problems are: less public employment; may not be as responsive to public needs; difficulty in negotiating contracts; quality control; legal requirements; conflict of interest; lack of suppliers; citizens' discontent; and increase in prices at renewal.

If you are interested in the possible use of privatization in your community, a first step would be to determine what projects or services might be better or more economically performed by a private supplier. Next, do a market survey to find out what firms might be interested in presenting proposals. Should you find sufficient interest, the next step would be to prepare a request for proposal. After receipt of the various proposals, compare the cost of contracting with the cost of performing the services in-house (it is important to have proper accounting of your cost), and decide if you are going to proceed with a contract.

The fifth step, negotiating a contract, is the most important of all. Properly drawn, a contract can protect you from many of the pitfalls of privatization. Be sure to cover these areas in the contract: insurance, quality of service, method of payment (fixed or per unit), performance bonds, the possibility of the contractor hiring your employees, the authority for the city to take over (including equipment) in the event of a default, length of contract, how the contract will be monitored. After the contract has been signed, be sure to assign someone in your organization the responsibility of monitoring contract performance. Properly used, privatization can result in significant savings to your community.

Reducing Costs

As a first step toward reducing the cost of providing municipal services, it is important to make a cost analysis to determine your current actual expenses (be sure to include all overhead costs such as insurance). Examine what has occurred and is likely to happen in the future regarding the cost of providing these services (be sure and include any project capital outlay). Next, decide if a particular service is still needed, not being performed just because it always has been or because it benefits the employees.

For most cities, the most costly services to provide are police and fire protection and public works. Fortunately, there are steps which can be taken to reduce these costs.

1. Police Protection

A necessary first step in attempting to reduce the cost of providing police services is to examine what is happening in your community. Are crime rates going up or down? What is the clearance rate of "Part One" crimes (the national average is 20 per cent; however, it can be as high as 30 to 35 per cent)? What percentage of the cases investigated by your police department is being accepted for prosecution? Next, look at how your present police manpower is being utilized. How many supervisors do you have compared to the number of patrol officers? What is the work load of your criminal investigators? What is the number of calls per officer per shift and for each shift? What is the response time by shifts? Are you using two officers in the car when one would be just as effective? After you have completed this review, you may find that you can lower your cost while providing as good or better protection through more efficient utilization of manpower.

2. Fire Protection

There are a number of factors which need to be looked at when attempting to reduce fire protection cost. Some of these are: Do you have more fire stations than you really need to adequately service your community? How much equipment do you have at each station? How many aerial (ladders, snorkels) trucks do you have (national average is one for each three pumpers)? What is the response time for each type of equipment? What is the average number of runs per day for each vehicle? What is the level of response to each type of emergency call? What manning levels are you maintaining (one pumper can handle up to four calls per day)? Can this be reduced without seriously reducing your fire protection?

3. Public Works

One aspect of public works which often presents a opportunity for significant savings is solid waste collection and disposal. Areas which should be looked at include: frequency of collection, pickup point, type of equipment used, crew size, work rules, location and method of disposal. This service is one which many communities have found can most economically be performed by contracting with the private sector.

This is also the case with many street-related services such as construction, resurfacing, and seal coating. The possibility of contracting can even be considered for sweeping and snow removal since this may be more economical, particularly when the capital cost of equipment is considered.

4. Other Ideas to Reduce Cost

Other possible ways to reduce cost include: intergovernmental agreements (such as joint purchasing), use of volunteers, employee awards for ideas to improve productivity, cross training of employees, and self-insurance programs.

While many communities face serious budget problems, use of the above ideas can help to lessen these problems and make life for the municipal official a little easier.

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