Do I Really Need a Consultant?

Wednesday, May 25th, 10:30 – 12:10, 2 CPE

Nancy L. Zielke, Senior Director, Alvarez & Marsal
Terri Heaton, Senior Vice President, Springsted Incorporated
Daniel A. Hedden, Partner, Umbaugh
Scott McIntyre, FirstSouthwest Asset Management, Senior Portfolio Manager
Do I Really Need a Consultant?

Session Outline:

- For many governments consultants provide critical guidance and subject matter expertise to augment the skills and capabilities of staff. However, this comes with a price.

- As governments stretch their limited resources farther and farther, it is important to know when governments can get "the most bang" for their consulting dollars.

- This session will feature a panel of consultants representing common services, such as financial and investment advisory, RFP development, debt management, and business process improvement planning, speaking honestly about when you need and don't need a consultant.
Do I Really Need a Consultant?

- **Moderator Opening Remarks**
  - *Issues Facing Governments and How Consultants Can Partner in Helping Solve CFO Challenges* – Nancy Zielke

- **Interactive Panel Discussion Areas**
  - *Changes in Today’s Consulting Business* – Terri Heaton
  - *When a Consultant Is Needed* – Dan Hedden
  - *Successful versus Non-Successful Engagements* – Scott McIntyre

- **Audience Dialogue and Interaction**
Session Speakers: Do I Really Need a Consultant?

Terri Heaton
Senior Vice President and Client Representative
Springsted Incorporated

Dan Hedden
Partner
Umbaugh

Scott McIntyre, Senior Portfolio Manager, First Southwest Asset Management

Nancy Zielke
Senior Director
Alvarez & Marsal
Ms. Terri Heaton joined Springsted Incorporated in St. Paul, MN in 2002 as a Senior Vice President, and Municipal Advisor. She primarily serves cities and counties in the upper Midwest, assisting them in attaining their financial goals through effective public finance, economic development, operational and structural alignment, investment strategies and developing strong human resource teams.

Ms. Heaton has over 30 years of experience in local government finance and economic development. She has assisted issuers in creating unique and complex financings using tax increment, abatement, conduit debt, dedicated revenues, sales tax and tax credits for public and private development. Heaton has assisted in the issuance of over 600 bond issues to finance government facilities, infrastructure, economic development projects, hospitals, theaters, community centers, civic centers, airports, transportation systems and park and recreation amenities. Prior to Springsted, she was the Audit Manager and then CFO of the City of Bloomington. Prior to Bloomington, she was a Senior Auditor for the MN Office of the State Auditor.

Ms. Heaton currently serves as President of the National Association of Municipal Advisors (NAMA). She has earned an MBA from the University of St. Thomas. She holds an inactive CPA license, is a Registered Municipal Advisor and a Certified Independent Professional Municipal Advisor (CIPMA). She is the former President of the MN Public Retirement Association representing 260,000 members and assets of over $26.5 billion.
Daniel A. Hedden, Umbaugh
Partner

Dan is a Partner in the Accounting Services Group of Umbaugh where he specializes in client services related to internal management reporting, external financial accounting and reporting, and financial modeling. Dan works with clients to increase their utilization of technology and process management to assist governmental units in their efforts to provide better and more useful information to a wider range of users. Dan also supports the Firm’s organizational efforts by serving as leader for the Municipal Segment of the Firm Practice and the Accounting Services lines of business.

Dan has 20 years of experience service local governments as a consultant for a variety of engagements including financial studies for municipally-owned utilities, cities, towns, counties, schools, libraries, airports and regional districts. These studies quite often involve the determination of available revenues and revenue requirements, cost of service studies, rate design and the financial planning associated with the issuance of tax-exempt bonds and funding of multiple-year capital plans.

Dan has served Indiana with annual speaking engagements to elected officials, controllers, department heads and other professionals in areas of financial accounting and reporting, budgeting, impacts of legislation and other topical issues of interest to membership.

Mr. Hedden is a graduate of Indiana University Purdue University in Indianapolis, Indiana with Bachelor of Science degrees in both Accounting and Finance. He has also completed professional courses sponsored by the American Institute of Certified Public Accountants, the Indiana CPA Society, Government Finance Officers Association and other professional organizations.

Prior to joining the Umbaugh, Dan served as a morse code analyst in the United States Army Military Intelligence Operations Battalion in Berlin, Germany and later in the Army National Guard as an intelligence analyst at the Headquarters Company of the 38th Aviation Brigade. Dan lives in Fishers, Indiana with his wife and family.
Scott McIntyre is a Managing Director and Senior Portfolio Manager with FirstSouthwest Asset Management, LLC, where he provides investment advice and consulting, as well as portfolio management to local governments throughout the nation. Scott is also responsible for reviewing public fund investment policies, assisting in overall strategy formulation, analyzing cash flows, presenting investment ideas, evaluating account performance and overseeing the day-to-day operations of the investment management division.

Prior to joining First Southwest in June 1998, Scott spent four years as a partner in an Austin-based investment advisory and consulting firm specializing in the management of public funds. Scott also spent five years as a Senior Investment Officer for the Texas State Treasury, where his responsibilities included market and securities analysis, management of the mortgage-backed securities portfolio and active trading of short Treasury positions. His background also includes several years of bank security analysis, accounting, financial reporting and asset/liability management.

Scott earned a Bachelor of Science degree in Management from Texas State University and holds the Chartered Financial Analyst (CFA) designation from the CFA Institute. He is a Registered Investment Advisor, maintains FINRA Series 7, 63, 65 and 24 licenses, and currently serves as an advisor to the GFOA Treasury and Investment Management Committee.
Nancy Zielke is a Senior Director with Alvarez & Marsal Public Sector Services where she specializes in Executive Advisory and Interim Leadership for State and Local Government organizations, assessing and remediating financial and operational challenges. During her 30-year career, she has served in chief financial and budget officer positions and advisor to state and local government entities, public utilities and school systems. She brings deep expertise in financial improvement strategies including redesign of cost structures, revenue enhancement, organizational management, internal controls and operational risk assessments, budget process redesign, and strategic planning and development. Ms. Zielke provides communities with financial industry insights, having as advisor to major financial institutions.

Before joining A&M, Ms. Zielke worked in state and local government serving in key financial officer positions including the University of Missouri – Kansas City, City of Kansas City, Kansas, State of Kansas, and Kansas City Board of Public Utilities. She led major financial transformation, internal controls and financial process improvement, budget redesign initiatives, and fiscal accountability plans. Ms. Zielke achieved the GFOA's Certification of Achievement in Financial Reporting, Distinguished Budget Awards Program, and Awards for Excellence in Financial Planning and Management Services.

Ms. Zielke earned a bachelor’s of arts degree in business administration from Adrian College and a master’s degree in public administration from the University of Kansas. She holds a certificate as an Emergency Manager from Michigan State University.

She is an active member of Government Finance Officer Association (GFOA) where she served as the elected National President and currently serves as an advisor to its Standing Committee and a review for the Awards for Excellence Program.

Nancy has authored several articles for the GFOA Government Finance Review and the National Association of College and University Business Officers (NACUBO) Business Officer, and is a frequent speaker at government finance conferences.
TODAY’S GOVERNMENT FINANCE AND MANAGEMENT CHALLENGES

- **Slower Pace of Revenue Growth**
  - Inability of the tax base to meet service demands
  - Statutory revenue limitations (i.e., tax caps)

- **Need for Economic Development**
  - Need for communities to expand economic opportunity, invest in workforce development, and address income inequality

- **Decaying Infrastructure and Hesitancy for Applying Innovative Approaches**
  - City and county roads, bridges, water and sewer systems, parks are all part of the nation’s decaying infrastructure.
  - Impact of potential municipal bond tax exemption changes.

- **Need for Public Safety As a Community Wide Goal**
  - Concerns over racial equity, gun violence, and the increased call for police accountability.
  - Public safety as a community wide goal highlighted as paramount.
  - Increased use of opioids creating new patterns of crime.

- **Constrained Budget**
  - Reduced support from State governments and Federal agency grants.
  - Broader economic growth needed to support a stronger tax base and enable stable and well-functioning government services and operations.

- **Need for Quality Education**
  - Quality education as the foundation for successful communities.
  - The racial achievement gap continues to be a persistent issue facing counties.

- **Need for Affordable Housing**
  - As governments continue to recover from the 2008 crash of the housing market, administrators are using innovative solutions to address housing-related challenges and homelessness.

- **Demand for Use of Technology to Improve Service Delivery**
  - Increasing demand and opportunity to improve citizen engagement through data and technology.

- **Correction System Overcrowding**
  - Aging municipal correction facilities not designed to meet the demands of the modern criminal justice system.

- **Increasing Costs for Pensions and Employee Benefits**
  - “Local and state financial problems are accelerating, in large part because public entities promised pensions they couldn’t afford….During the next decade, you will read a lot of news – bad news – about public pension plans.” Warren Buffett
The high demand for state and local government services and budget pressures will require new approaches for managing the delivery of essential services.

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Description</th>
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<tr>
<td>Diversify Revenues</td>
<td>Diversifying the revenue sources to enable services to keep up with the cost of providing the services within tax revenue constraints.</td>
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<tr>
<td>Innovate Investment</td>
<td>Exploring, financing and delivering public/private and public/public approaches to finance infrastructure needs, share services and facilities and provide services.</td>
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<td>Long Term Planning</td>
<td>Implementing Long Term Budget Planning and Cash Flow Modeling will help communicate the long range challenges and allow for discussions.</td>
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<td>Pension Benefits</td>
<td>Developing strategies to manage the increasing cost of pensions and benefit payouts will help ensure that the longevity of assets.</td>
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<td>Health Care Benefits</td>
<td>Performing an annual benefit review to manage the increasing health care and benefit costs should be considered.</td>
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<tr>
<td>Enabling Technology</td>
<td>Finding ways to better deliver services and communications through enabling technologies.</td>
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WHY GOVERNMENTS NEED CONSULTANTS TO “PARTNER” IN SOLVING THESE CHALLENGES

Need for Specialized Skills or Expertise
- Some tasks, because they occur so infrequently, call for special skills that cannot be learned quickly or easily by staff (e.g., debt issuances, health care benefit planning, preparing market studies for major economic development projects)
- Communities with limited staff can hire consulting firms with access to a number of people with different skills and specialized subject matter expertise
- It is be difficult and infeasible to hire specialized employees with the variety of skills required for often short term needs

Need for Objective Mediator and Communicator
- Projects like department reorganizations or complex redevelopment plans can be very controversial, emotional, and political for members of the community
- An outside consultant may be able to find a "win-win" solution and can often be accepted by various parties as an objective mediator in local disputes
- The finance director or staff may know the solution to a local problem but may require the validation of their solution by industry experts in order to build support from the council, the public, and other stakeholders

Short-Term Need for Support
- For tasks that are required infrequently, it is not economically feasible to maintain permanent expertise
- Hiring a consultant is particularly appropriate when the project is a nonrecurring one (e.g., financial system implementation, accounting remediation or internal control review, dispute analysis, new procurement ordinance)
- Consultants can lead the development of competencies and expertise in career staff, empowering governments to succeed long after consultants leave
- If the project will carry over many years or is a continuous one, expanding staff is a better option

Interim Staffing Roles to Support Transition
- Consultants may be needed to serve in interim management position due to staffing shortfalls and vacancies
- If a government puts a freeze on hiring or is unwilling to commit to any long-term employment, an agency may only be able to hire a consultant to deal with an impossible work load or project
Market Perspectives: Demand - You, and Supply – Us
Mid-Recession to 2016

May 25, 2016

Terri Heaton, Senior Vice President
Springsted Incorporated
Saint Paul, Minnesota
Demand: Your Situation from Our View
Mid-Recession to 2016

**Governance**
Trend towards more instability, single issue versus general benefit, adversarial public debate, still anti-tax

**Management and Staffing**
Mid-Recession:
- Little mobility, staff reductions, pay freezes, some service cutbacks - eliminations

2016:
- Boomers - massive retirements, pay increases, guarded staff replacements, difficulties in filling positions
- Result: Loss of institutional knowledge and efficiencies, shallower talent pool, staffing holes
- Governance puts Staff at risk
Demand: Your Situation from Our View
Mid-Recession to 2016

**Regulatory**
Trend towards more, complex and high risk: MCDC, Dodd-Frank, Environmental

**Finance and Infrastructure**

Mid-Recession:

- Operating instability, fund balance declines, revenue diversification, cost cutbacks (Less consulting)
- Infrastructure and major maintenance: delayed, reduced, absorption problems

2016:

- Improved operations, fund balance rebuilding, salary increases
- New infrastructure, major maintenance-partial recovery, P3 chatter
Demand: Your Situation from Our View
Mid-Recession to 2016

Socio-economic

Mid-Recession:

• General downturn across most areas, middle class scared, Job loss – wage reductions, less retirements

2016:

• Many areas better but slow recovery, new jobs not at pre-recession wages, middle class less scared, many retirements – services/taxes
Supply: Our Situation as Consultants
Mid-Recession to 2016

General

Mid-Recession:

- Many firms suffering: Low volumes – Debt, Eco-Devo, Investments, Comp Studies, exceptions: Revenue Diversification, Fiscal Planning

2016:

- Many firms recovering/growing: High Volumes - Debt, some Eco Devo, Ex Search, Comp Studies – booming, exceptions: Revenue Diversification, Fiscal Planning; more profit/margin & risk aware
Supply: Our Situation as Consultants
Mid-Recession to 2016

**# of Firms**

Mid-Recession:
- Sorting out & reduced staff

2016:
- Trend: ‘The Big and The Small’
  - Big - Consolidation of Firms,
  - Small – Kitchen table retirees, 1-2 person shops
  - Still many mid-size

**Regulatory**

SEC/MA World – FA, Eco Devo, Op Fin

Mid-Recession:
- Just getting started

2016:
- Full Oversight and Enforcement, Documentation, More formal relationships and Cost
Supply: Our Situation as Consultants
Mid-Recession to 2016

Risk

Public & Consultant context

Mid-recession:
- Lower activities, tighter scope of services

2016:
- Public: see Governance & Management- instability and staff at risk
- Consultant: risk is expensive - reputation & money, regulatory impact
- Higher probability of using consultants

Pricing

Mid-recession:
- Many lower price – need revenues
- Pursue Business won’t otherwise

2016:
- Big - Thresholds for profit baseline
- Small - Augment retirement: Cheap
- Middle - Profit squeeze
Conclusions

• Higher Demand for Many Consultants
  – More activity: FA, Eco Devo, Ex Search, Comp
  – Continued organizational/staffing holes
  – More money to pay Consultants
  – Risk Adverse: ‘The Consultant said.…….’

• More Vibrant Supply of Consultants, but by size
  – Trend: Big & Little, with corresponding pricing
  – More deliberate in scope and price (profitability)
  – More Regulatory Systems: contracts, documentation
  – Risk Adverse: Loss of money and reputation
When is a Consultant Needed?
Common Reasons to Hire A Consultant

• To enhance **credibility**
• To add **experience** to a project team
• To add **objectivity**
• To provide or support **leadership**
• To meet **time** constraints
• To **simplify** the complex

• “I utilize consultants when the needs of the project exceed my available internal time and staff resources.”
  
  - Oscar Gutierrez, Controller, City of Fishers, Indiana
To enhance **Credibility**

![Cartoon image showing a child saying, “Whaddya mean all my facts are wrong?!? I copied everything straight off the internet!!”](image-url)
To add Experience
To add **Objectivity**

*Okay, that wraps up the budget for next year. Are we missing anything?*
To provide – or support – Leadership
When Time is a factor
To Simplify the Complex

If you can’t explain it simply, you don’t understand it well enough.

– Albert Einstein
If all else fails......

“Getting in a consultant is win-win for us... we’ll get the credit if it’s a success – but, if it all goes wrong, we’ve got someone else to blame!”
What Makes a Successful Engagement?
Examples of Typical Consulting Projects

- Review and establishment of Treasury management procedures
- Develop in-house investment management framework
- Policy and strategy assistance / discussion
- Ongoing investment advisory – supplement to existing staff
- Quarterly portfolio compliance reporting
- Cashflow modeling
- Selection of depository bank / safekeeping agent
Elements of a Successful Engagement

- A receptive client
- Equal footing / mutual respect
- Defined roles
- Ease of communication
- Clear objectives – what do we want to accomplish?
- How are results communicated …and by who?
Elements of Failed Engagements

- Delayed or confusing start
- Unclear roles
- Consultant doesn’t get along with staff
- No channels for feedback
- Day-to-day communication breakdown
- Strategy or plan isn’t implemented / no follow-through
Why use a Treasury Management Consultant?

- A problem has emerged
- Questions/concerns by the governing body
- Expectations aren’t being met
- Recent departure/turnover of staff
- Assurance/confidence during turbulent market periods
Things to Look for in a Treasury Management Consultant

- Specific knowledge and experience *in your sector*
- A verifiable track record
- Ability to communicate effectively
- Costs appropriate to expected scope of job
- *(Promise of)* a useful final product