

Minnesota County Futures Task Force

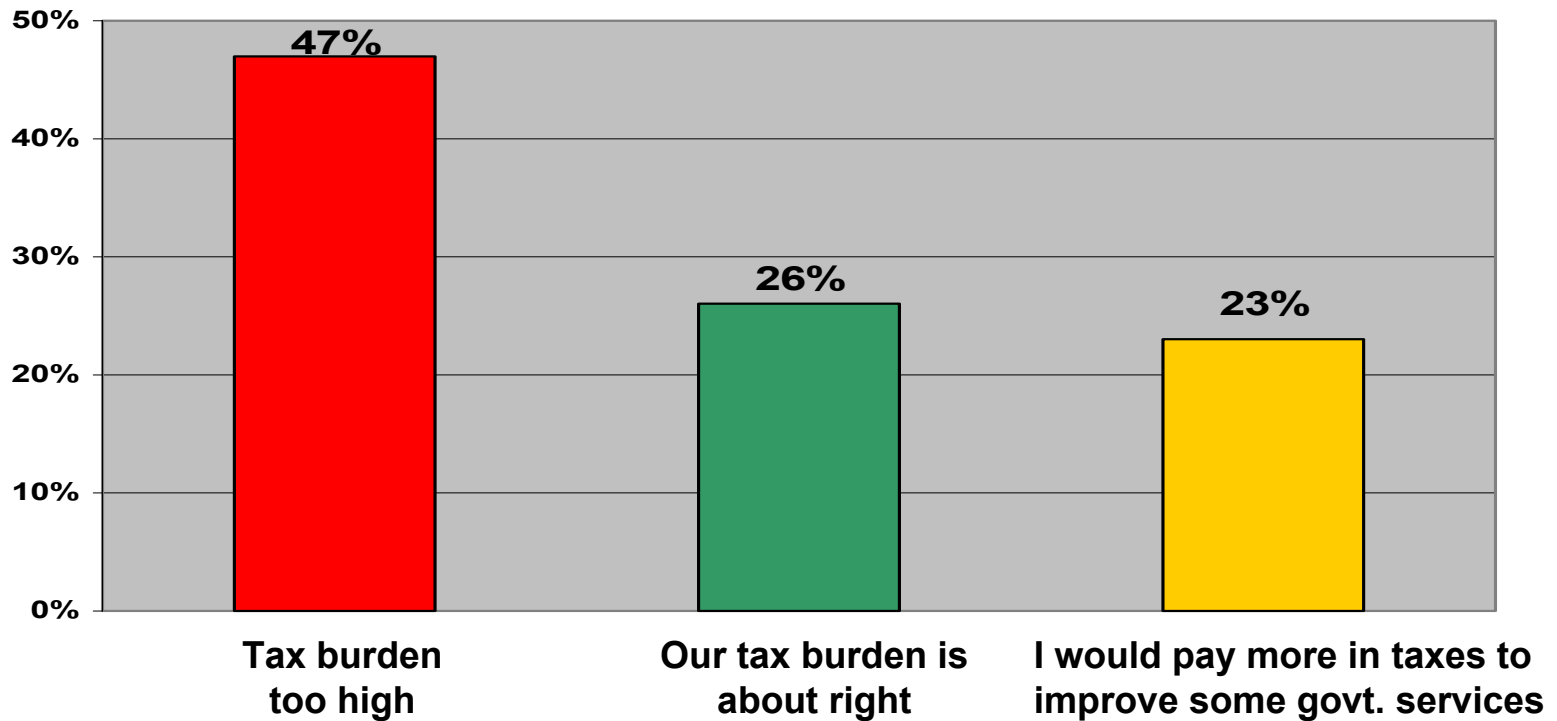
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Agenda

- I. Highlights of 2003 AMC Research**
- II. Case Study - Airline Industry**
- III. Critical Questions for AMC**

Significant Share of Minnesotans Believe Taxes are too High

“Which of the following statements best reflects your feeling about taxes in Minnesota . . . ?”



“No New Taxes” Agenda Supported Geographically

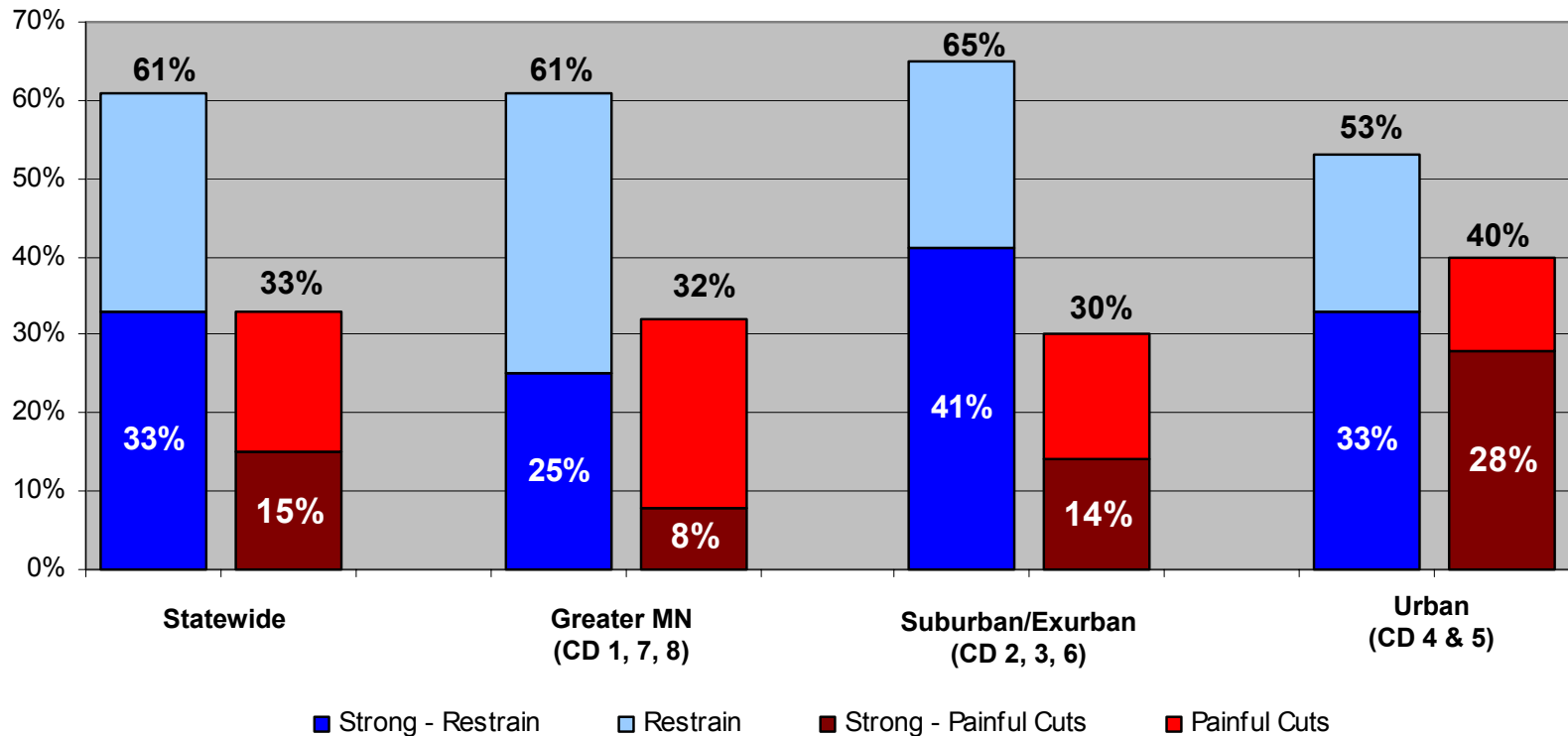
Region	
Statewide	
Greater MN	CD1
	CD7
	CD8
Exurban and Suburban	CD2
	CD3
	CD6
Urban	CD4
	CD5

Taxes Too High	Taxes About Right
47%	26%
50%	35%
45%	33%
46%	30%
50%	24%
59%	31%
50%	33%
35%	19%
39%	25%

Would Pay More Taxes
23%
13%
17%
24%
22%
18%
10%
45%
33%

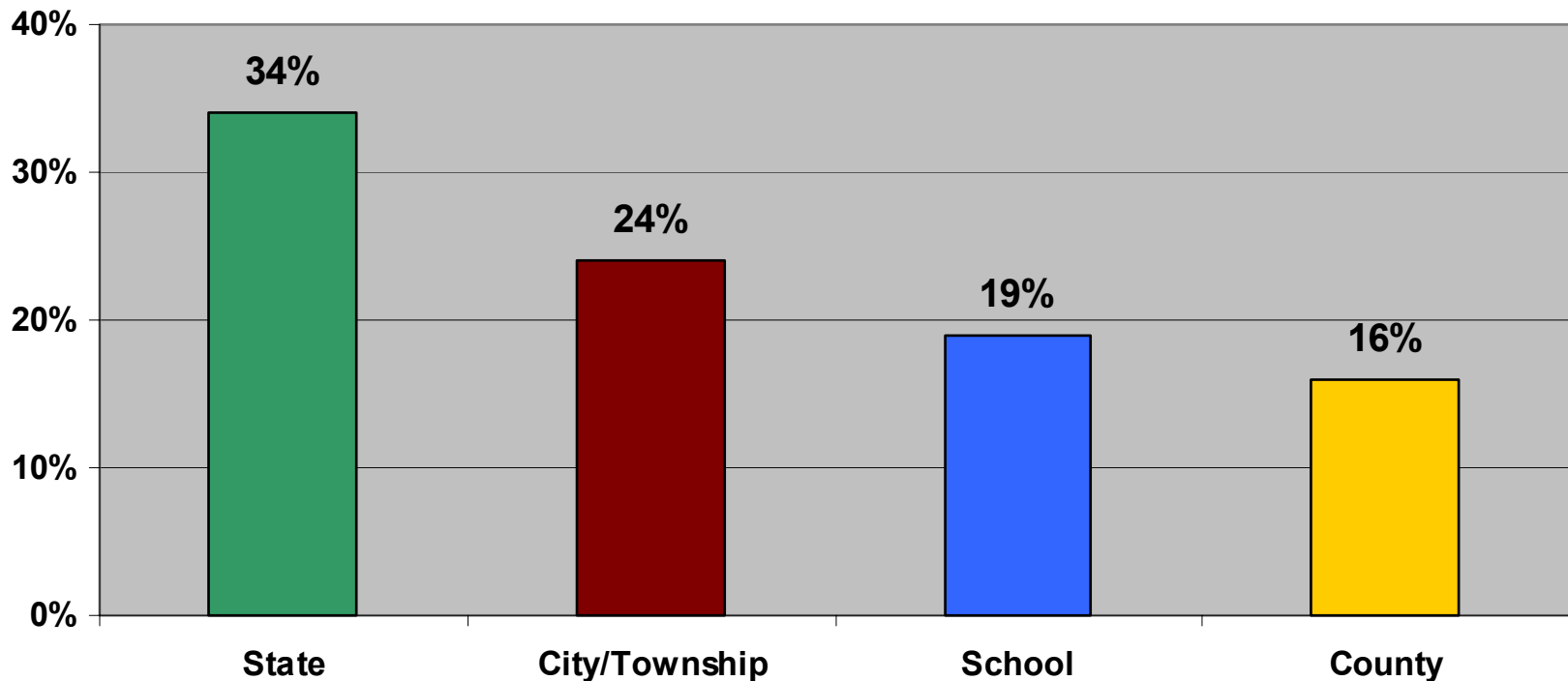
Public Focused on Government Reform, not Service Cuts

*Government should restrain spending or,
budget problems will lead to painful cuts*



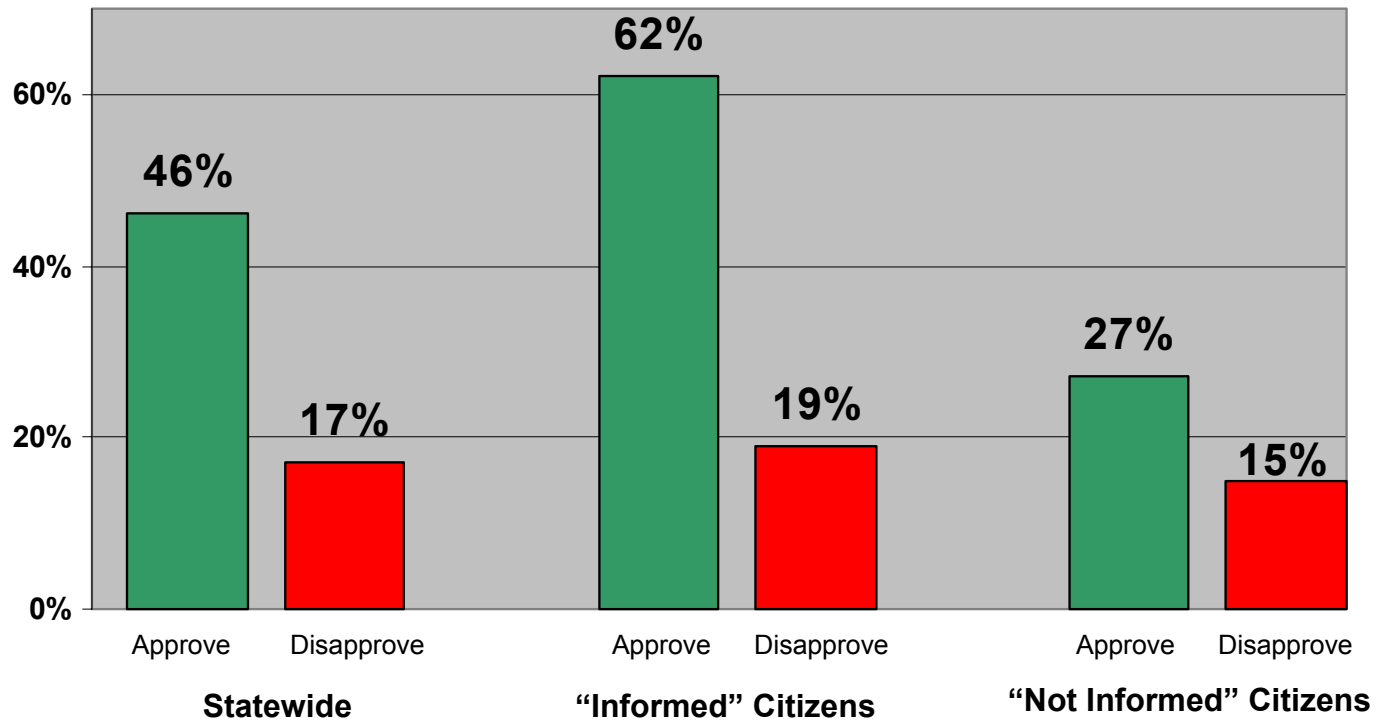
Counties are the Least Understood Level of Minnesota Government

*“Which level of government do you
feel you know the most about?”*



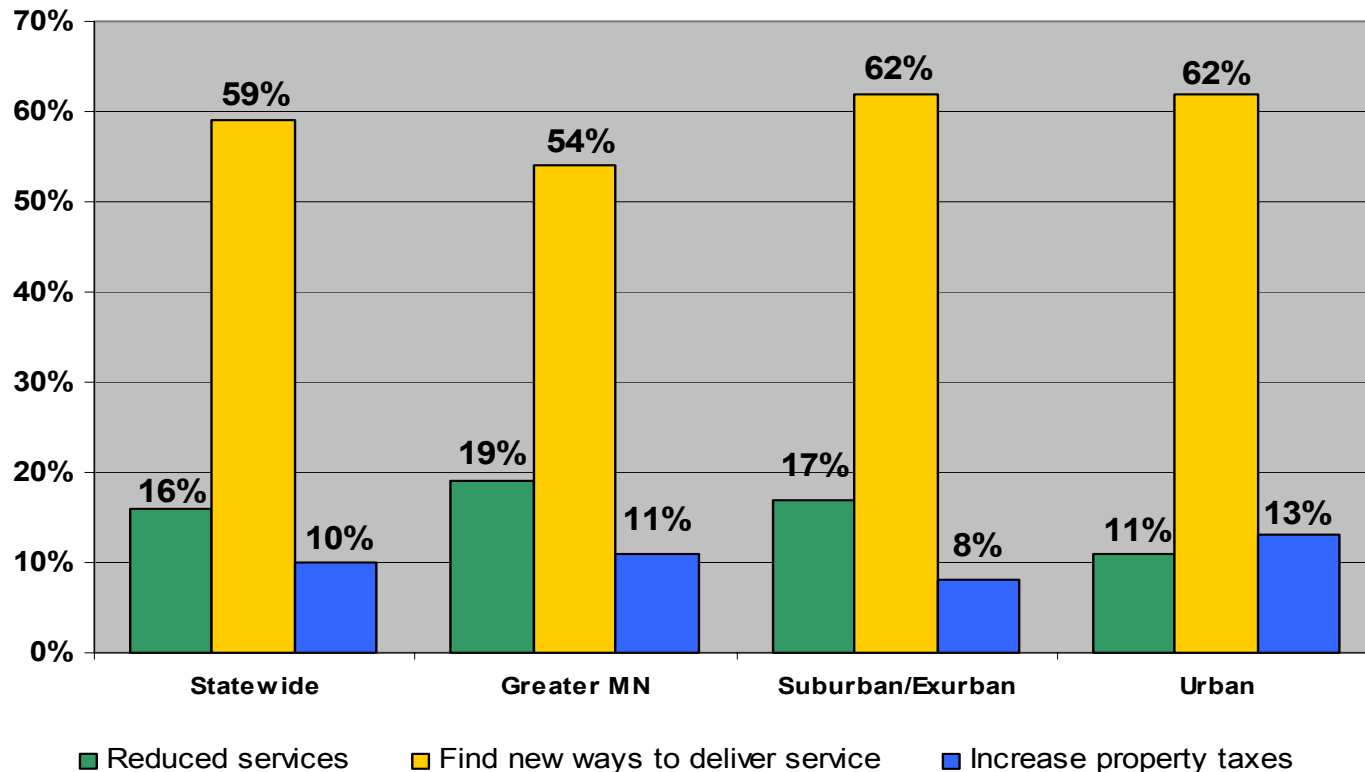
Minnesotans Generally Approve of the Work of County Government

“From what you know, do you approve or disapprove of the job your County Board is doing?”



Support for Reform Agenda Strong Throughout Minnesota

Thinking about those options, which one do you think your county should use to respond to state aid cuts?



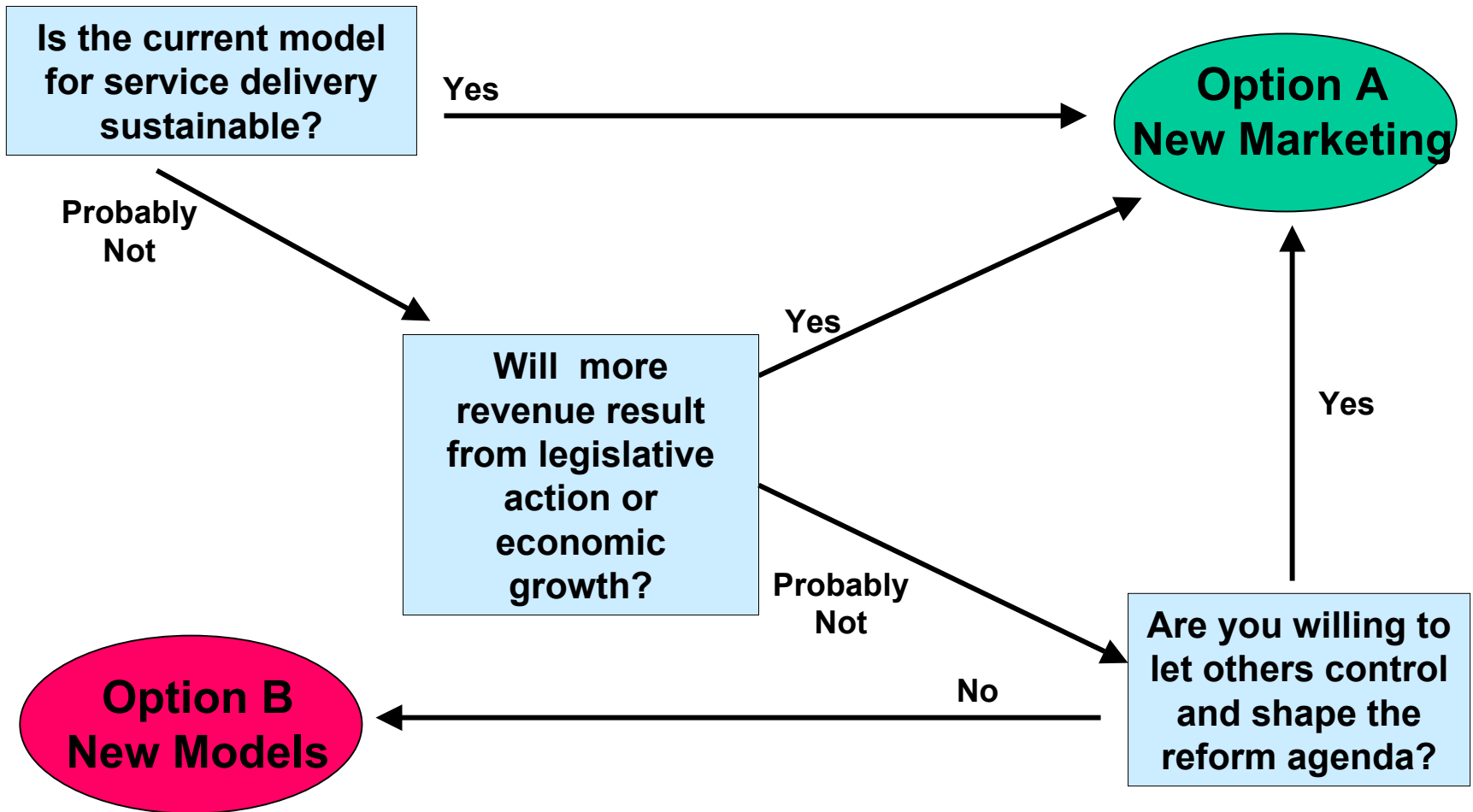
Survey Conclusions / Summary

- ▶ **Minnesotans are apprehensive about the political climate**
- ▶ **Generally positive about counties**
 - *But, public doesn't understand how counties impact their lives*
- ▶ **County services not seen as state's most critical issues**
- ▶ **Little interest in tax increases or service cuts**
 - *Expect reform, not status quo approaches*
- ▶ **Opportunity exists for county-driven "service reform" agenda**

Conclusions - Audit

- ▶ **Counties are considered agents, not agenda setters**
- ▶ **Taxpayers lack the same understanding of counties as policymakers/leaders do**
- ▶ **Counties not viewing reform in the same context as taxpayers**
- ▶ **Changing demographics will also drive county reform**

Critical Questions to Determine Direction



Option A: New Marketing

Assumptions

- ▶ Political/economic environment has challenges, but counties can cope
- ▶ Bad years - minimize damage
- ▶ Good years - make incremental gains

Strategic Initiative

- ▶ Communicate/Legislate → Enhance marketing of county government to general public and policymakers

Goals

- ▶ Develop better understanding/support for county government by county residents
- ▶ Build support/enhance outcomes in the legislative process

Option A: New Marketing

Program

County Communication:

- ▶ AMC develop communication templates for counties
- ▶ Town Hall meetings
- ▶ Commissioners/staff visible in local organizations
- ▶ Enhanced media relations
- ▶ County employee communications
- ▶ Branding of county services

Legislative Communication:


- ▶ Enhance communication with new & existing legislators
- ▶ AMC delivers annual “State of the Counties” rating
- ▶ Interim bus tours around MN
- ▶ Aggressively communicate implemented reform ideas
- ▶ Offer reform agendas every two years

Option B: New Models

Assumptions

- County govt. can't be sustained under current model
- Need to "change county govt. as we know it"
- But, 1 size does not fit all
- Counties want to lead/shape change

Strategic Initiative

- Design/Build New County Models  AMC/counties pro-actively engage public, legislators, other units of govt. in a process to design and support new service delivery and financing models for county govt.

Goals

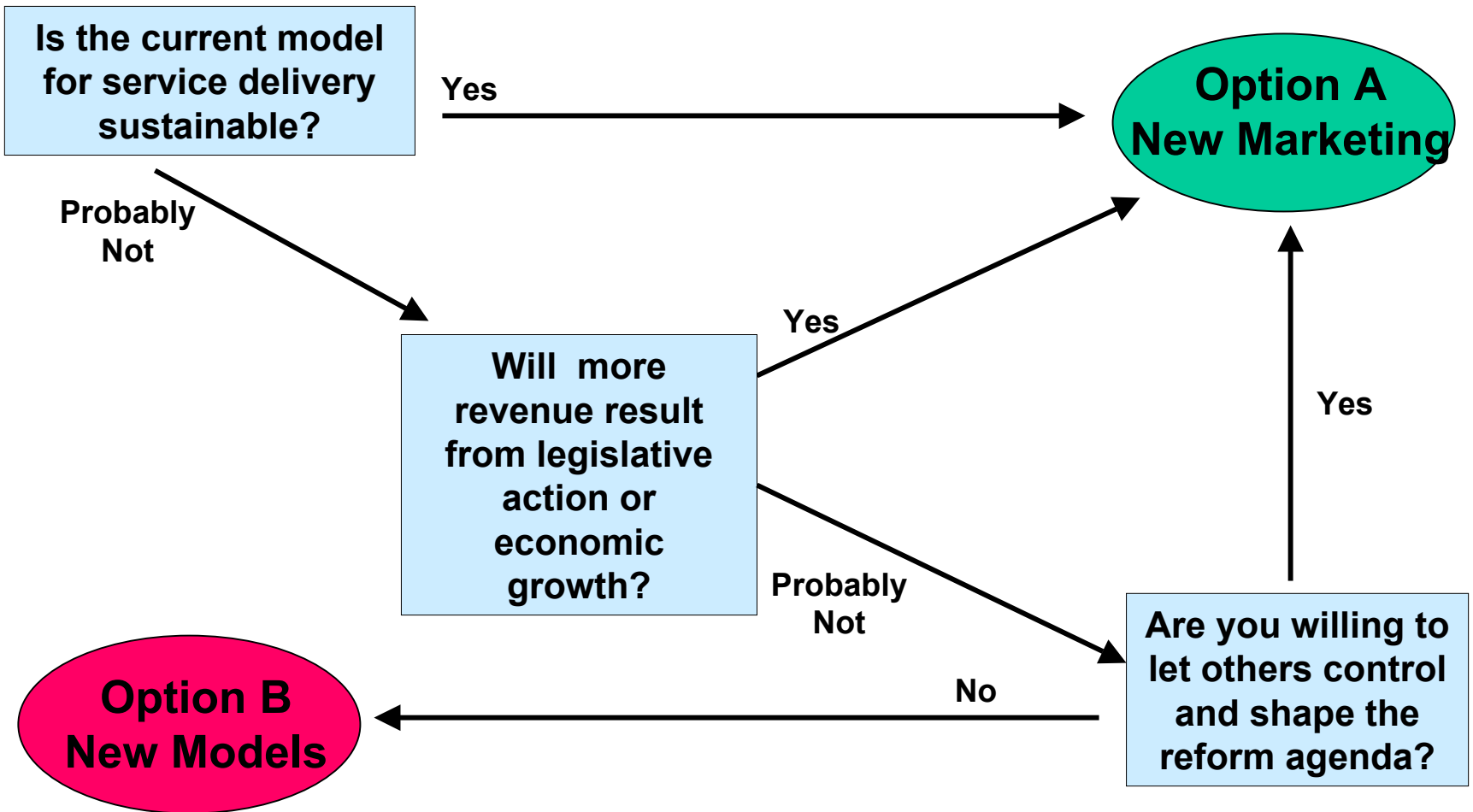
- Develop greater understanding of county govt. pressure points
- Condition county govt. to welcome/accept change
- Identify viable reform models
- Implement policy changes at state/local levels

Option B: New Models

Program

- ▶ Design process
- ▶ AMC approaches other govt., policy/interest groups, legislators - invite their participation
- ▶ Announce major statewide initiative
- ▶ Organize working groups around MN (similar demographic clusters)
- ▶ Public meeting process
- ▶ Engage local opinion leaders (presentations)
- ▶ Invite participation via. Web comments
- ▶ Design new models:
 - Services delivered
 - Who delivers
 - Financing/revenues
- ▶ Target policy implementation for 2005 Legislature

Critical Questions to Determine Direction



Case Study: US Airline Industry

- ▶ **U.S. Airlines lost \$22 Billion since 2001**
- ▶ **Can this be sustained? No**

What's The Problem?

	Cyclical	Structural
Over Capacity		X
High Cost Business Model		X
High Fuel Prices	X	
Market Preferences Shifting		X
Economic Recession	X	
9/11 & Terrorism Impacts		X
Increased Competition		X

What Are The Consequences?

- ▶ **Remember . . . TWA, Pan Am, Eastern, Braniff and dozens of other former airlines?**
- ▶ **Status of “Big 6” Major Airlines:**
 - *United Airlines in bankruptcy 17 months*
 - *Possible bankruptcy: US Air (2nd time) Delta*
 - *Teetering: American, Continental & NWA*
- ▶ **Low Cost / Lower Service Airlines healthier**

What's The Solution?

▶ Define Your Realities

- *Airline problem is primarily structural*
- *Solution needs to be structural (not incremental)*
- *Can't raise prices*
- *In fact, extreme pricing pressure*

What's The Solution?

▶ Ask the Critical Questions

- *What does the market value?*
- *What will the market pay?*
- *What's unique about us?*
- *What's the business model required to restore balance?
(meet market expectations while achieving profitability)*

What's The Solution?

▶ Analyze / Question Everything

EXAMPLES:

- ▶ Amenities - airline food service, reserved seats
- ▶ Product delivery - travel agents vs. Internet / 800#
- ▶ Airport Model - Hub & Spoke vs. point to point
- ▶ Labor costs - reduce service / increase technology / wages & work rules
- ▶ Aircraft - more fuel efficient / reduce maintenance & training
- ▶ Schedules - planes fly more hours per day
- ▶ Size aircraft to passengers

Framework For Next Steps

AMC Critical Questions

Define the Problem(s)

- ▶ **Revenue**
 - *Do counties lack sufficient revenues and/or revenue options?*
- ▶ **Expenses**
 - *Are county expenses too high or rising too fast?*
- ▶ **Delivery Systems**
 - *Are counties trying to deliver services with inefficient delivery systems?*
- ▶ **Expectations**
 - *Have public expectations of government and/or county government changed?*
- ▶ **Some, or all, of the above**

Define County Realities

- ▶ **Is the problem:**
 - *Cyclical?*
 - *Long-term structural?*
- ▶ **Will solving the problem require:**
 - *Incremental action?*
 - *Major changes?*
- ▶ **What are the consequences of not acting?**
- ▶ **If change is required, who will lead:**
 - *Counties (we shape the change)?*
 - *Others (counties get mandated into new model)?*

Critical Questions for Counties

- 1. Business:** What does the market value?

Counties: What does the public want from government/outcomes?
- 2. Business:** What's unique about us?

Counties: What do people/want expect from county government vs. other levels?

Critical Questions for Counties

3. Business: What will the market pay?

Counties: What will public pay for government services?

4. Business: What is the right business model?

Counties: How does government deliver services (outcomes) at a price the public will pay?

Analyze / Question Everything!

- ▶ **All county services are important to someone, but are they all important? What does the public (market) really want & expect from counties?**
- ▶ **Is your county a “unique provider” of all services or are some services provided elsewhere?**
- ▶ **Does your county measure outcomes vs. inputs/outputs? Is the county culture focused on delivering services or achieving outcomes?**
- ▶ **What is the best delivery system/model - Contracting? More use of technology? Consolidate service delivery?**