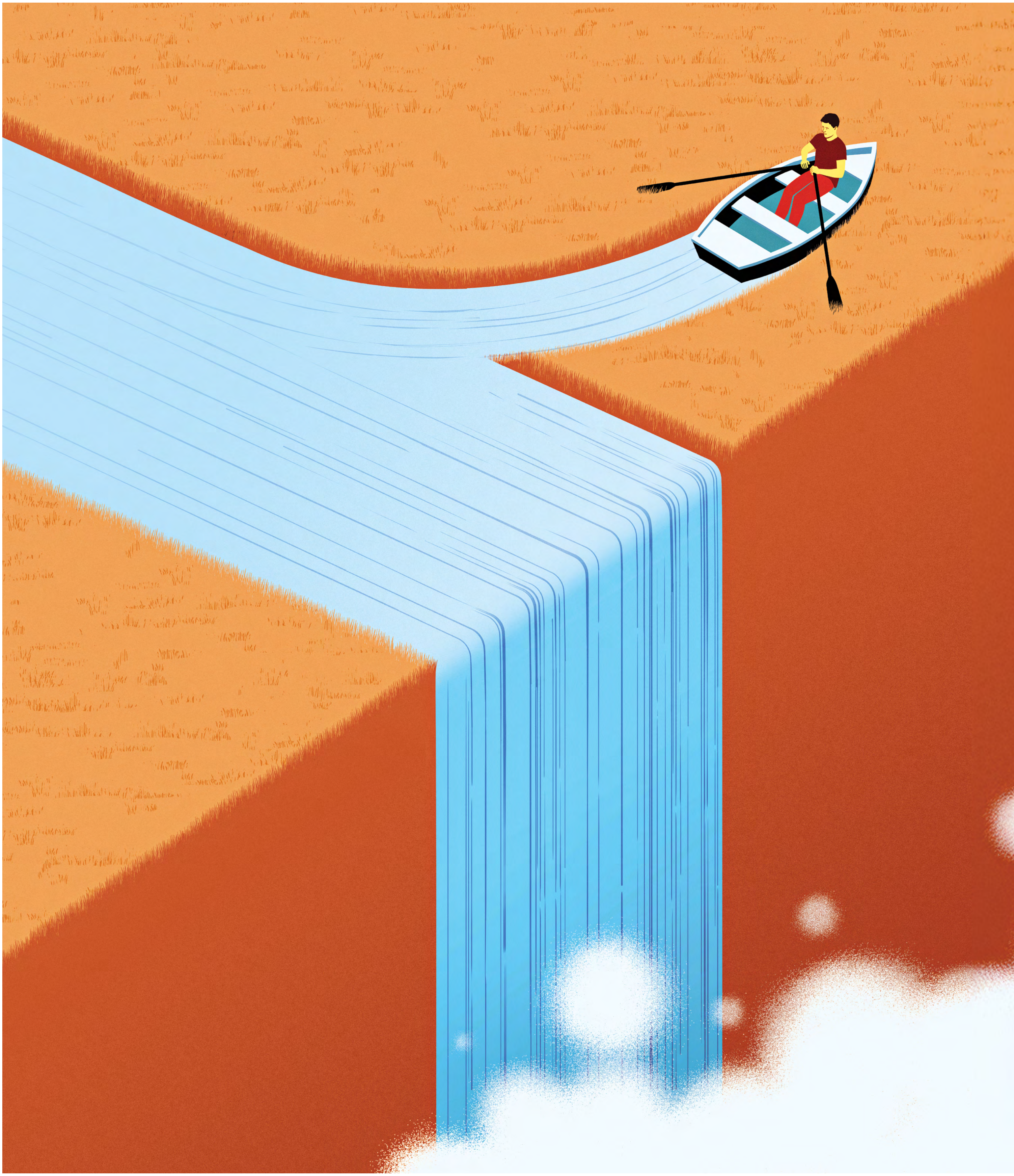

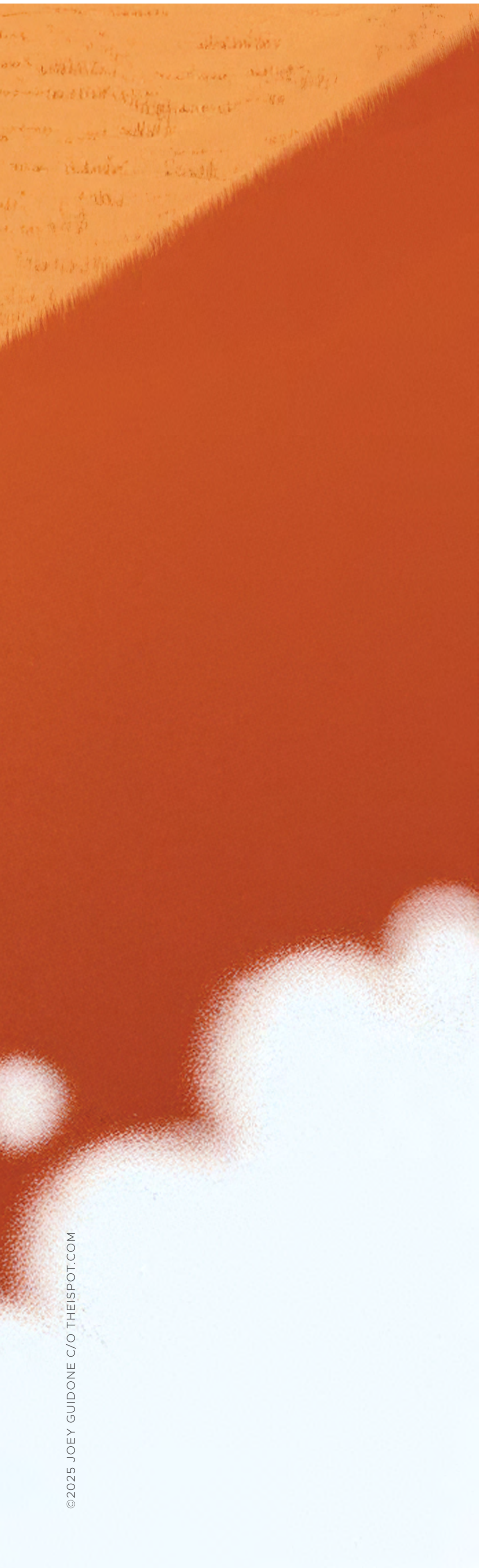

Avoiding a Fiscal Cliff

Turning fiscal pressure into lasting positive change

BY ADAM POWELL

Local governments across the country have faced growing financial strain over the past few years. Inflation has driven up the cost of doing business, the long tail of the COVID-19 pandemic continues to affect staffing and service delivery, and interest rate hikes (intended to cool inflation) have had unintended consequences for revenue streams tied to economic activity. For the County of San Diego Assessor / Recorder / County Clerk's Office, which relies almost entirely on fees for revenue—including fees from recording real estate transactions—that convergence of factors triggered a deep and immediate fiscal crisis.

"It was overnight dramatic. The moment interest rates started going up, our volume went down. We've always had an inverse relationship with rates, but this time it was different. It didn't taper off—it dropped like a rock," said Val Handfield, chief deputy recorder/county clerk. "We went from recording over 876,000 documents in 2021 to just over 357,000 by 2023. We haven't seen numbers that low in over 40 years." Handfield, a seasoned public servant with over two decades of experience in the recording industry, understood the seriousness of the drop-off. Document volume drives revenue, and that volume dropped by nearly 60 percent in just two years.

The financial implications were just as stark. Revenue fell from more than \$17 million in FY 2020-21 to \$5.6 million by FY 2023-24. Unlike some county departments that receive general fund allocations, the recorder/county clerk's office operates primarily on fee revenues. But many of those recording fees are fixed, set by state law, and haven't been increased since 2010. "We had no option to increase fees," Handfield said. "Some fees are set by the legislature, and they haven't moved in over a decade."

Other departments might fill funding gaps through general fund support, but the recorder/county clerk's office has long operated independently—which became a vulnerability. With no new money coming in and a steep decline in recording transactions, the department had to figure out how to stay afloat without cutting staff or reducing service quality.

The expected response in such a situation would likely be layoffs or service reductions. But for Handfield and her leadership team, that wasn't acceptable. "We can't shrink and grow our staff based on recording volume," she said. "The length of time it takes to train someone fully is too long. It would be detrimental to our customers and to our team."

The department knew it had to act early, and bring their people with them. Luis Pedraza, a manager in the division, brought budget and data analysis experience to the table. "Our directive was clear from the start: no layoffs," he said. "We had to make the budget work without hurting our people."

So, under the leadership of Jordan Z. Marks, the assessor/recorder/county clerk, the team committed to a different path, developing a strategy rooted in foresight, flexibility, and trust. The goal wasn't just to stabilize; they wanted to protect their people, maintain operations, and lay the groundwork for long-term resilience. That meant creating a plan grounded in real data, thoughtful structure, and constant communication.

Nicole Barber and David Gonzalez, division chiefs, and Pedraza constituted the division's leadership on operational data and performance tracking. They used years of historical data and time studies to build a realistic and scalable staffing plan. "We know how long things take, and we know what our teams can handle. That gave us a real foundation," Barber said.

Together, they helped ensure that transparency and communication stayed at the center of the effort. "People were scared," Gonzalez said. "But when they saw leadership starting from the top, being honest and thoughtful, that started to shift."

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Developing an innovative staffing strategy

Once leadership agreed that layoffs were off the table, the department turned its attention to how it could balance its limited budget against current and future service needs. That process started with a clear set of objectives: protect jobs, ease reliance on recorder general fund dollars, and maintain capacity to serve the public, even with fewer transactions.

From there, the recorder/county clerk's team leaned on something they'd been building for years—data. "We've always been focused on tracking workload," Barber said. "We know how long tasks take, how many people we need, and where we can shift resources. That let us approach the problem with a level of precision."

Using this data, the team relied heavily on time and motion studies, volume analysis, and workload forecasts to understand exactly where they had flexibility. "It wasn't about cutting for the sake of cutting," Barber added. "It was about aligning the work with the right staffing model."

Making those changes work required more than just analysis—it required trust. "Our directive was clear from the start: no layoffs," Pedraza said. "We shared that with staff early on, and we kept the communication going." The department hosted bi-monthly all-staff meetings with all levels of leadership present, and shared regular updates in monthly supervisor meetings. "We didn't sugarcoat anything," Pedraza said. "We talked openly about revenue, recording volume, and how we were adjusting."

That transparency helped ease anxiety. "Once people understood the plan, they stopped assuming the worst," Gonzalez said. Staff also had a role in shaping the approach. Team members volunteered for special projects and reassignment opportunities, and supervisors played a key part in reinforcing messaging and addressing questions. The team also coordinated closely with the Human Resources Department and county leadership to ensure their staffing approach was equitable and compliant with employment standards. The result wasn't just a short-term fix—it was a thoughtful, collaborative strategy built to weather the current crisis and set the foundation for future stability.

Executing the plan

With the goals and strategy in place, the department turned its focus to execution—specifically, how to stretch limited resources while keeping staff employed and services running. The first major move was reclassifying 12 vacant journey-level positions into entry-level roles. This shift allowed the department to maintain staffing levels at a significantly lower cost. "That reclassification alone saved us just under half a million dollars annually," Pedraza said. "It gave us a path to build an employee pipeline, bring people in at a lower cost, and develop them internally." The reclassification wasn't just a budget decision; it was also a workforce development tool. "Getting into a journey-level position can be a hurdle to some," Pedraza added. "Entry-level roles helped us open the door to more candidates and invest in training them up."

At the same time, the department looked for ways to reallocate tenured staff to meaningful work funded outside the general fund. That led to the launch of several projects funded by trust funds, including a massive effort to digitize and validate 15 million historical document images. "We had the projects on the shelf for years," Handfield said. "They were important, but we never had the capacity. Now we had experienced staff with availability and the trust funds to support the work."

Not only did this move save more than $1 million in recorder general fund expenses, but it also kept long-term staff engaged in meaningful, mission-aligned work. “We had more people volunteer than we had slots,” Gonzalez said. “And because they gave updates at staff meetings, it felt like a shared effort.”

Technology and equipment were also streamlined. The department conducted a full review of underused assets, consolidating devices, eliminating unnecessary desk phones, and retiring high-cost equipment. “Even small things like phone lines were costing us,” Pedraza noted. “We looked at every line item and ended up saving nearly $750,000.” The success of these actions came down to one key principle: matching the right resources to the right work, with a long-term view. “It wasn’t about quick fixes,” Handfield said. “It was about sustainable choices.”

With innovative thinking and a wise use of resources, the recorder/county clerk’s office achieved more than $2.25 million in annual savings without cutting staff or reducing core services.

Navigating challenges

Even with a solid plan, putting it into action came with real challenges. Chief among them was staff anxiety. Many employees remembered the layoffs during the 2008 recession and feared history would repeat itself. “The fear was real,” Gonzalez said. “People were expecting layoffs because they’d seen it happen before. We had to be intentional about communicating that we weren’t going down that road.”

To counter the uncertainty, leadership made transparency a top priority. Regular all-staff meetings were used to communicate directly about the situation. “We told them exactly what was going on—revenues, volume, what we were planning,” Pedraza said. “We didn’t sugarcoat anything.” To reinforce those messages, supervisors were pre-briefed so they could echo the same information within their teams. “That was key,” Barber added. “It helped prevent misinformation and made sure everyone heard the same thing at the same time.”

The department also created space for employees to participate in the solution. “We gave staff the chance to raise their hands for trust-fund projects,” Gonzalez said. “They weren’t being pushed—they were volunteering. That created a sense of purpose instead of panic.” According to Barber, this helped shift the energy internally: “People understood the ‘why.’ That made a huge difference. They felt that they were part of the solution.”

One of the more technical challenges was navigating the reclassification process. That meant working closely with the county’s human resources department to get approvals and ensure equity. “We had to build a strong business case,” Pedraza said. “We documented everything—workload data, position responsibilities, budget impacts. That was necessary so HR could sign off confidently.”

Just as important, the team approached implementation with flexibility. “This wasn’t a one-and-done,” Handfield said. “We’re continuing to monitor the data, staffing levels, and project capacity. We’re already thinking about the next fiscal year.” Through clear communication, collaboration, and adaptability, the department was able to roll out its plan while keeping trust and morale intact—a rare feat during a time of major change.

Measuring and demonstrating success

The results the county’s staffing strategy weren’t just felt—they were measurable. In a short time, the department achieved more than $2.25 million in annual savings without cutting staff or reducing core services. “We saved nearly $500,000 a year just by reclassifying 12 journey-level vacancies into entry-level roles,” said Pedraza. “And those roles didn’t just save us money on salaries and benefits. They allowed us to create a pipeline for future growth.” Reallocating experienced employees to projects funded by trust funds accounted for another $1 million in savings. Streamlining equipment and tech services, like reducing underused printers and eliminating unnecessary desk phones, saved close to $750,000 annually.

Importantly, none of these changes came at the expense of service delivery. The department maintained its performance targets and continued issuing marriage licenses, processing vital records, and supporting the public without disruption. “We kept our operations solid,” Handfield said. “And we were able to focus our experienced staff on long-overdue projects that had real long-term value.”

The internal benefits were just as significant. Morale, which had wavered early on, began to stabilize once the strategy was in place. “Once people saw the plan working, the rumors stopped,” Gonzalez said.

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"They realized we weren't just talking. We were actually doing something that worked." Entry-level roles gave existing staff opportunities to learn and grow, while volunteers on trust-fund projects took pride in their contributions. "It gave people ownership," Handfield said. "And that changed the whole atmosphere."

By staying committed to the three original goals—protecting jobs, reducing reliance on recorder general fund dollars, and maintaining operational strength—the department not only weathered the storm but improved its ability to serve. "We didn't just avoid layoffs," Handfield said. "We created breathing room. We created options." The numbers tell one part of the story, but there is a much more important takeaway. San Diego didn't just manage through a crisis: it used the crisis to build a more stable, efficient, and resilient organization.

Recommendations and insights

The approach wasn't flashy or built on big external investments. It was practical, data-driven, and grounded in the realities that many local governments face. For other jurisdictions looking to replicate this success, the team has clear advice: start early, communicate constantly, and don't underestimate the value of internal data. "Start with your goals," Barber said. "We didn't go in trying to cut. We went in trying to protect our people and make smarter use of our resources. That framed every decision we made."

That clarity helped them focus on the right metrics. The team used time and motion studies, transaction volume trends, and service delivery data to build their staffing models. "We knew exactly how long things took, who did what, and how changes would affect operations," Barber said. "That's what made it possible to reclassify positions and reassign staff with confidence."

Communication was another pillar. The team recommends being radically transparent, even when the news isn't good. "The more open we were, the less room there was for fear to grow," Gonzalez said. "People will come up with their own stories if you don't give them facts."

They also emphasize the importance of identifying alternative funding sources, like trust funds, that can support strategic work outside daily operations. "We didn't invent new funding. We used what we already had, in smarter ways," Pedraza said. "But we had to make sure it was aligned with the work and documented properly."

Of course, the team acknowledges that not every department has the same structure or flexibility. But the core principles—data-informed decision making, staff engagement, and strategic realignment—are widely applicable. "You have to be adaptable," Handfield said. "This plan worked because we were willing to keep adjusting. It wasn't perfect on day one—it evolved."

Conclusion

For any organization facing a fiscal crunch, the message is clear: panic leads to short-term fixes, but strategy builds staying power. For the County of San Diego and the Assessor / County Recorder / County Clerk's Office, the experience shows that with the right tools, the right people, and the right mindset, governments can turn financial pressure into a moment for real, lasting change.

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