BUDGET CUTBACK STRATEGIES

NAVIGATING A BUDGET CRISIS
Developing a Budget Strategy

Scott Dellinger
Mayor of Mountain View

Bruce Jones
Mayor of Douglas

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Short term measures, while immediate, can have lasting effect to the public and your staff. You may not be looking at the longer term picture that needs addressed.
Short-term Temporary Measures

- Across-the-board percentage cuts or dollar cuts (not a fan)
- Approval of all spending over set amounts
- Hiring Delay (60, 90, 120 days, next fiscal year) / Hiring Freeze
- Implement non-paid furloughs
- Freeze salary increases
- Eliminate all vacant positions / Consolidate positions / Re-org
- Offer early retirement options (long term costs and 1-time payout consideration)
- Review cutting programs and events – temporarily or permanently
Short-term, Temporary Measures

- Defer capital projects that drive increases in the operating budget
- Use undesignated fund balances for one time, critical capital projects that should not be deferred
- Reduce / Restructure overtime expenses (weigh them against adding full time or part time)
- Cut Travel and Entertainment and Training Budgets (non-essential/non-certification required)
- Review current contracts and pay monthly, quarterly, vs. one time payments
Short-term, Temporary Measures

- Consider shortened hours for non-critical support services or operating on a 4 or 4.5 day schedule
- Delay payments to vendors
- Delay all non-emergency capital purchases
- Replace appropriations for capital projects with borrowing
Long-term Options
Long-term Options

- Owned property that may be sold (one time fix but usually requires appraisal and spending costs)
- Refinance outstanding loans or bond indebtedness
- Require hold on new purchase orders pending review period
- Eliminate unplanned spending (forecast future issues)
- Set up an incentive based structure for department budgets
- Review development charges and tap fees (for schools, public safety, storm water management, parks, infrastructure, etc.)
- Review spending that doesn’t provide City specific services (Community Service Grants)
Long-term, Financial Options

What is your economic development plan (don’t lose sight)

Review all fees relative to cost of service delivery and adjust fees (building permit, business licenses, cemetery, etc.)
  - Consider inflation adjustments and/or cost of service increases
  - Invest in rate and efficiency studies

Research revenue contribution areas that haven’t been implemented or were dropped (Storm water / impact fees)

Market-based revenue
  - Placement of advertising on city property or equipment, fees for placing equipment on public property (water tanks)
  - Leasing antenna sites for cellular, fiber runs, right of ways
Long-term, Financial Options

- Review Human Capital costs dealing with Enterprise Funds and bill appropriately
- Privatize operations where savings can be determined (realize downward impact if programs or operations eliminated)
- Invest in grant research and writing
- Review and audit franchise fees not currently used or haven’t been adjusted (how do they compare to each other and among like communities)
Long-term, Financial Options

Conduct a group health benefits review
- New plans with higher deductibles
- Premium adjustments for healthy lifestyles
- Implement healthy programs
- Increase co-pays for employees or cap employer share
- Review retiree co-pays or costs

Fleet Management
- Own or lease
- Better match vehicles to mission
- Are your vehicles costing you too much for service (lemons)
- Evaluate fuel and parts purchasing
- Outsource fleet management
- Public Surplus (Buy and Sell)
Long-term, Financial Options

- Work with WAM to lobby State Legislature to reduce unfunded mandates, to protect current State funding, and to generally protect from the jeopardy of the State Legislature being in session.

- Work to lobby for increased authority to manage local finances without state intrusion and constraints.
Permanent Strategies
Permanent Strategies

- Educate the public on public revenue streams and the constraints and issues with financing and budgeting
- Public forums for input to help build public support and organizational integrity with the public
- Set up workshops that address bigger issues

- Run departments as separate companies. Create accountability and get buy-in from the director down for budget goals. (Think out of the box – create a new norm)
Permanent Strategies

- Appropriate less than 100% of estimated revenues and then cut again... Limit expenditures to less than appropriated revenues. Develop and set budget contingency reductions to trigger when revenue shortfalls occur.

- Consolidate specific services with other governmental entities or between departments - (law enforcement and animal control / streets and parks / parks and solid waste)

- Periodically conduct a third party management audit and/or internal audit to determine if each department/agency is compliant with organizational procedures, performance objectives, accountability, and/or program goals.
Permanent Strategies

Establish points of contact or a service center to receive requests for service for any non-emergency operation, complaints about services, or other communications like those rare compliments.

Perform an IT review and audit. Eliminate manual work but realize expense to implement, maintain, and secure.

Create an open environment for citizens to see budgets and find details (.opengov.com allowing for reports and highlights that get the most attention and can give a monthly and yearly comparison).
Permanent Strategies

- Competitive private vs. public bidding for public services - (utility billing, recreation facilities, garbage collection, meter reading, computer maintenance, payroll)

- Get citizens involved and vested in the public sector and making a difference. Use for committees, boards, projects, that need special focus or help reduce workloads in specific areas (don’t be afraid to market these positions)

- Review, analyze and reform internal accounting and procedural systems

- Establish intranet on-line services for operations
  - On-line budget preparation
  - Real time financial information for accountability
  - On-line requisitions and purchase orders, cut positions
Permanent Strategies

- Develop a list of all services provided in each department, and review them.
  - Cost to deliver the service, prioritize them, and eliminate duplicated, unnecessary, unneeded, unsupported or too costly services that are not mandated.
  - Are there any existing alternatives or can you develop new alternatives, public or private, to be more cost efficient and effective?

- Eliminate entire programs based on evaluation of standards of service, unit cost and need/demand for service. “Should we be in this business?”

- Provide incentives to be creative and save
  - Provide flexibility for operational department (can you effectively reward higher productivity, higher efficiency/effectiveness?)
Permanent Strategies

- Conduct new assessments of all overhead expenses
- Conduct energy assessment and create energy savings plans
- Conduct audit of all telephone, cellular, internet expenses: compare with in-house system servers, cabling, maintenance, etc., with consideration to Voice over IP (consolidate)
- Copy machines and printers (lease vs. buy or paperless)
- Maintenance contracts reviewed
- Consolidate buying power within the organization or other agencies
- Review all property, casualty, workers comp, health, and other insurance (Draft specs, bid, compare to self-funded)
- Review all employee benefits for duplication, coverage, appropriate co-insurance, recruitment advantage
Conduct new assessments of all overhead expenses cont’d

- Review travel for alternatives
  - Video teleconferencing, internal and external
  - Satellite training - regionally and statewide
  - Statewide training for certifications
  - National training links

- Review all training for options to improve training and reduce costs
  - In-house trainers (i.e., train the trainer. A good example is customer service training)
  - Require those traveling to a workshop, etc., to train others immediately upon return
BUDGET CUTBACK STRATEGIES

There are No Silver Bullets… only hard choices

Every human organization - including governments and businesses - has inefficiencies

Attempts to rid waste only reinforce public perceptions of government as wasteful.....but Nevertheless, cutting waste also increases public confidence in those who do so

Don’t listen to Naysayers – 3 stages to a new idea

  - Ridicule
  - Outrage
  - The declaration it is “obvious”

It is a culmination of changes….Put together 100 small changes and pretty soon you're talking real money