

# **BUDGET CUTBACK STRATEGIES**

**NAVIGATING A BUDGET CRISIS**

# Developing a Budget Strategy

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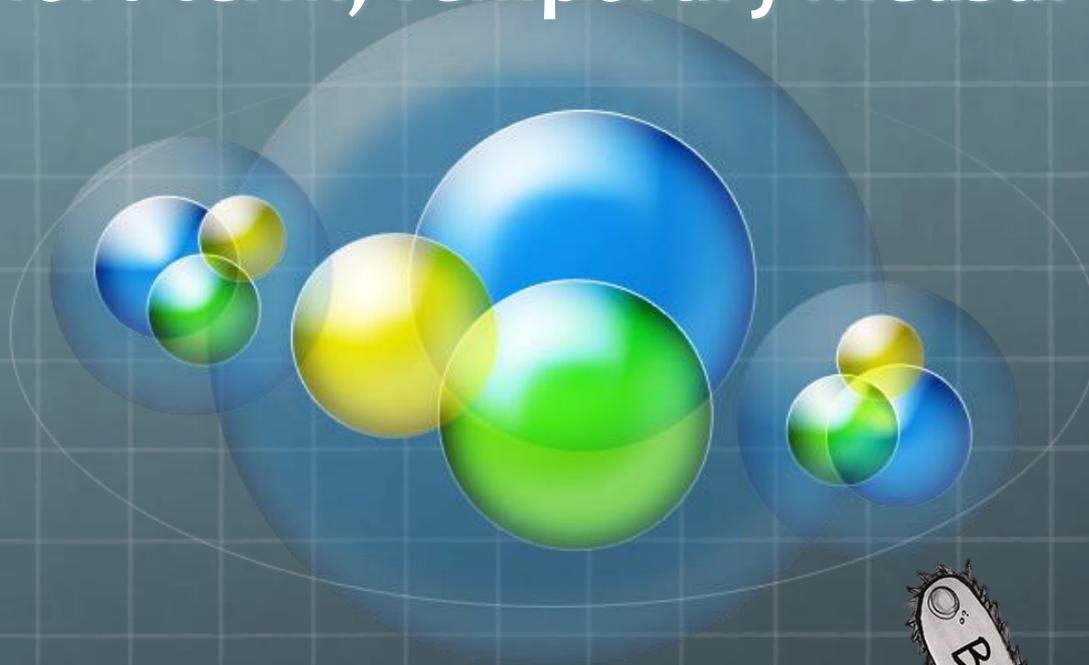
**WAM Winter Workshop**

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# Short-term, Temporary Measures



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

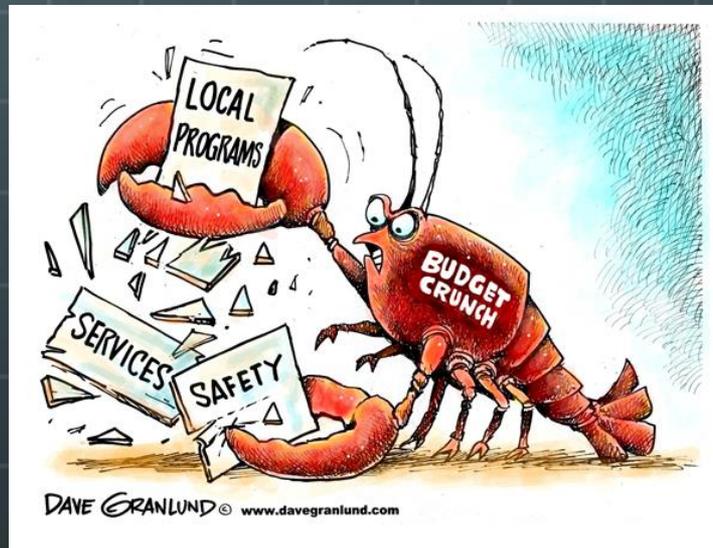
- 🌐 **Across-the-board percentage cuts or dollar cuts (not a fan)**
- 🌐 **Approval of all spending over set amounts**
- 🌐 **Hiring Delay (60, 90, 120 days, next fiscal year) / Hiring Freeze**
- 🌐 **Implement non-paid furloughs**
- 🌐 **Freeze salary increases**
- 🌐 **Eliminate all vacant positions / Consolidate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

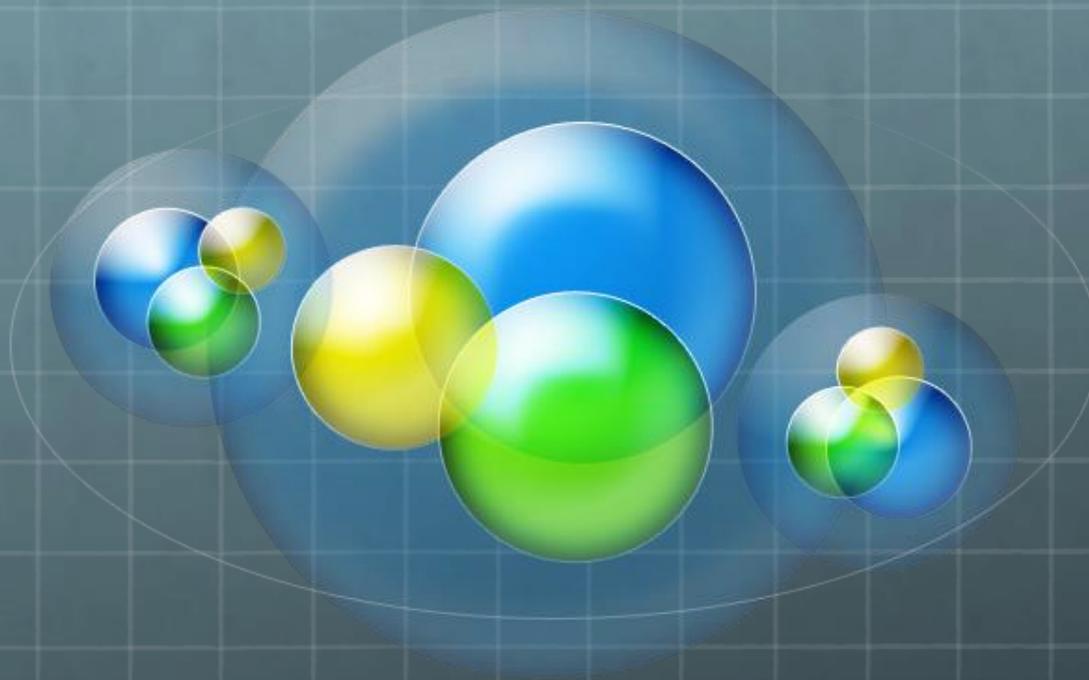
# Short-term, Temporary Measures

-  **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

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- 🌐 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

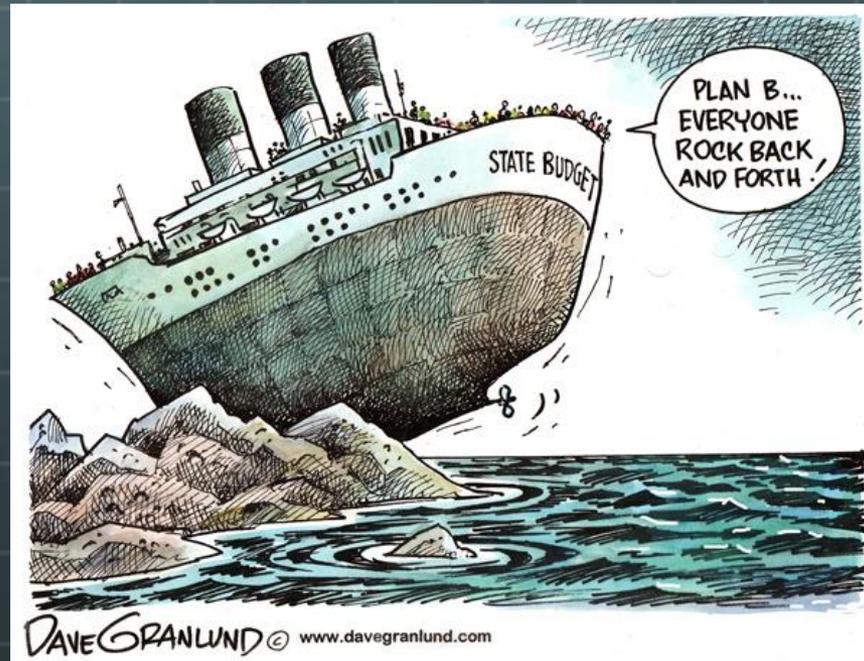
- 🌐 Review Human Capital costs dealing with Enterprise Funds and bill appropriately
- 🌐 Privatize operations where savings can be determined (realize downward impact if programs or operations eliminated)
- 🌐 Invest in grant research and writing
- 🌐 Review and audit franchise fees not currently used or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

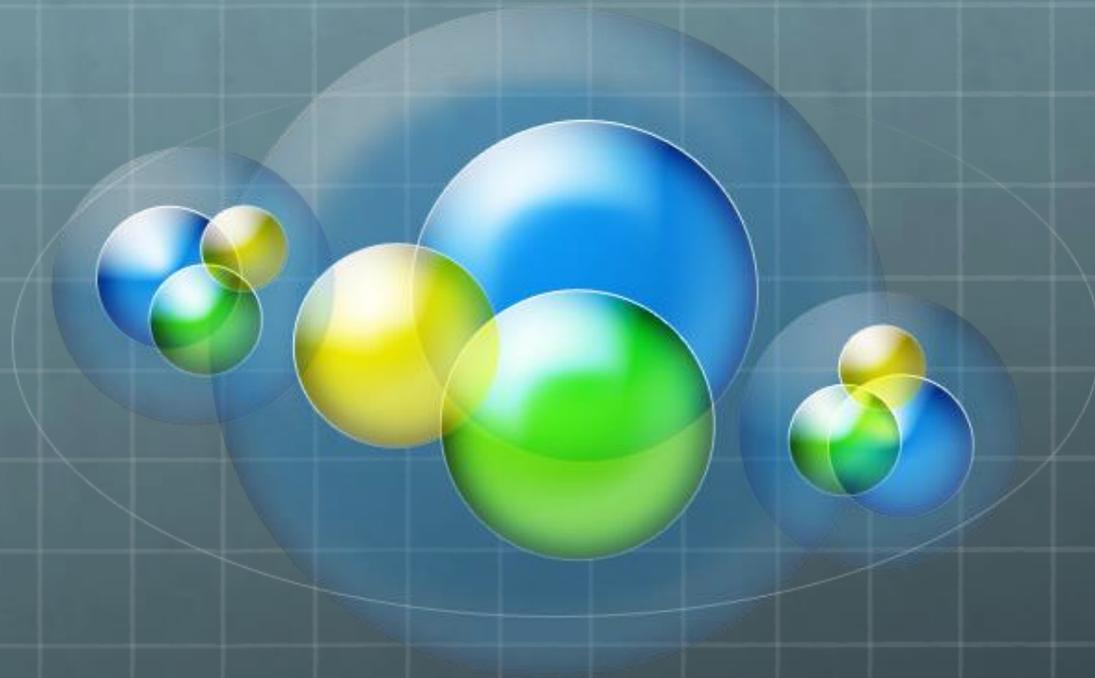
# Long-term, Financial Options

- **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

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- 🌐 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