



Budgeting Strategies For Challenging Times

Colorado Resiliency Office's
Adaptations and Futures Webinar Series

June 11, 2020
11 a.m. to 12 p.m.



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Department of Local Affairs

Welcome

Please use the chat to communicate any questions for the panelists.

Ensure your microphone is on mute for the duration of the webinar.

This webinar is being recorded and will be posted on the Colorado Resiliency Office's website:
coresiliency.com/adaptations-and-futures-webinar-series



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Agenda

- Introduction from Anne Miller, Director of the Colorado Resiliency Office (5 minutes)
- Introduction to Fiscal First Aid Financial Recovery Process (Parker Crowe, 10 minutes)
- Primary and Near-Term Treatments (Cynthia Thayer, 10 minutes)
- Case Study from Jeff Hansen, Finance Director for City of Golden (15 minutes)
- Gallagher Amendment Update (Cynthia Thayer, 5 minutes)
- Q & A (Clay Brown, 15 minutes)



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Panelists

Parker Crowe

Division of Local Government, Local Government Services

Cynthia Thayer

Division of Local Government, Local Government Services

Jeff Hansen

Finance Director, City of Golden

Clay Brown - Moderator

Division of Local Government, Field Services



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Fiscal Impact of COVID-19

May 12, 2020

STATE OF COLORADO

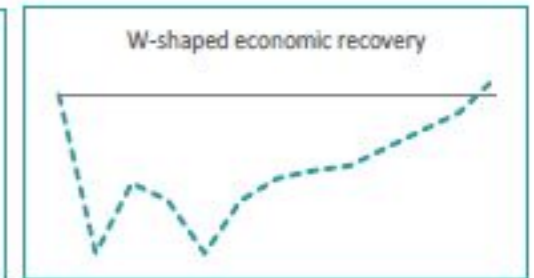
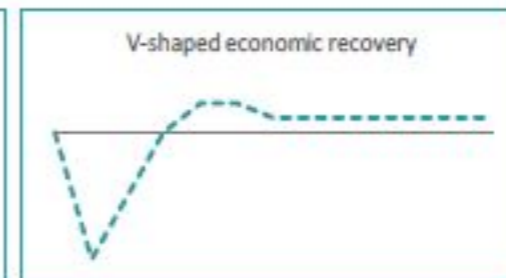
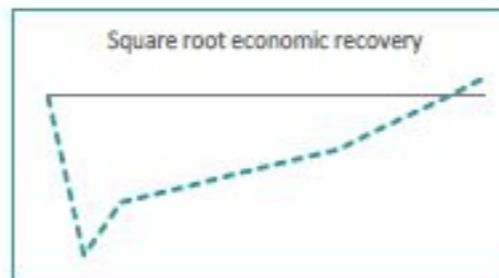
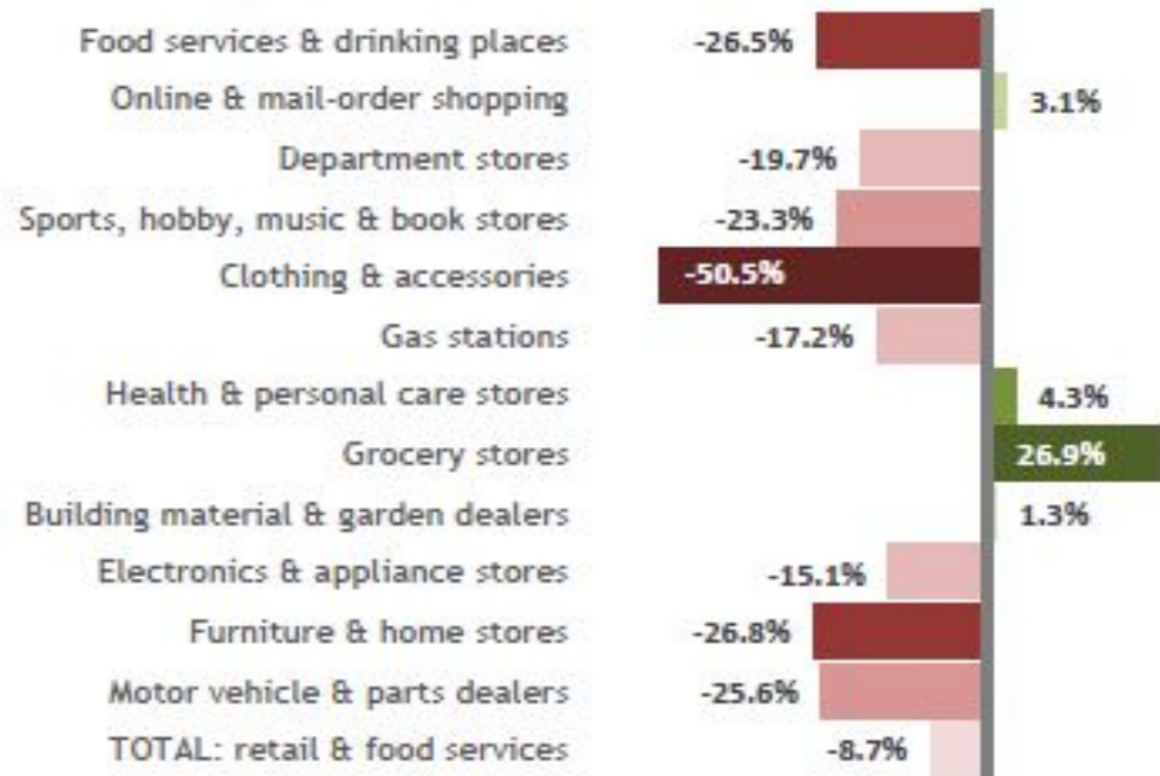
Governor's Office of State Planning and Budgeting

COLORADO ECONOMIC AND FISCAL OUTLOOK



COLORADO
Governor Jared Polis

Changes in U.S. Retail Sales, March 2020



Source: <https://www.colorado.gov/governor/economics>

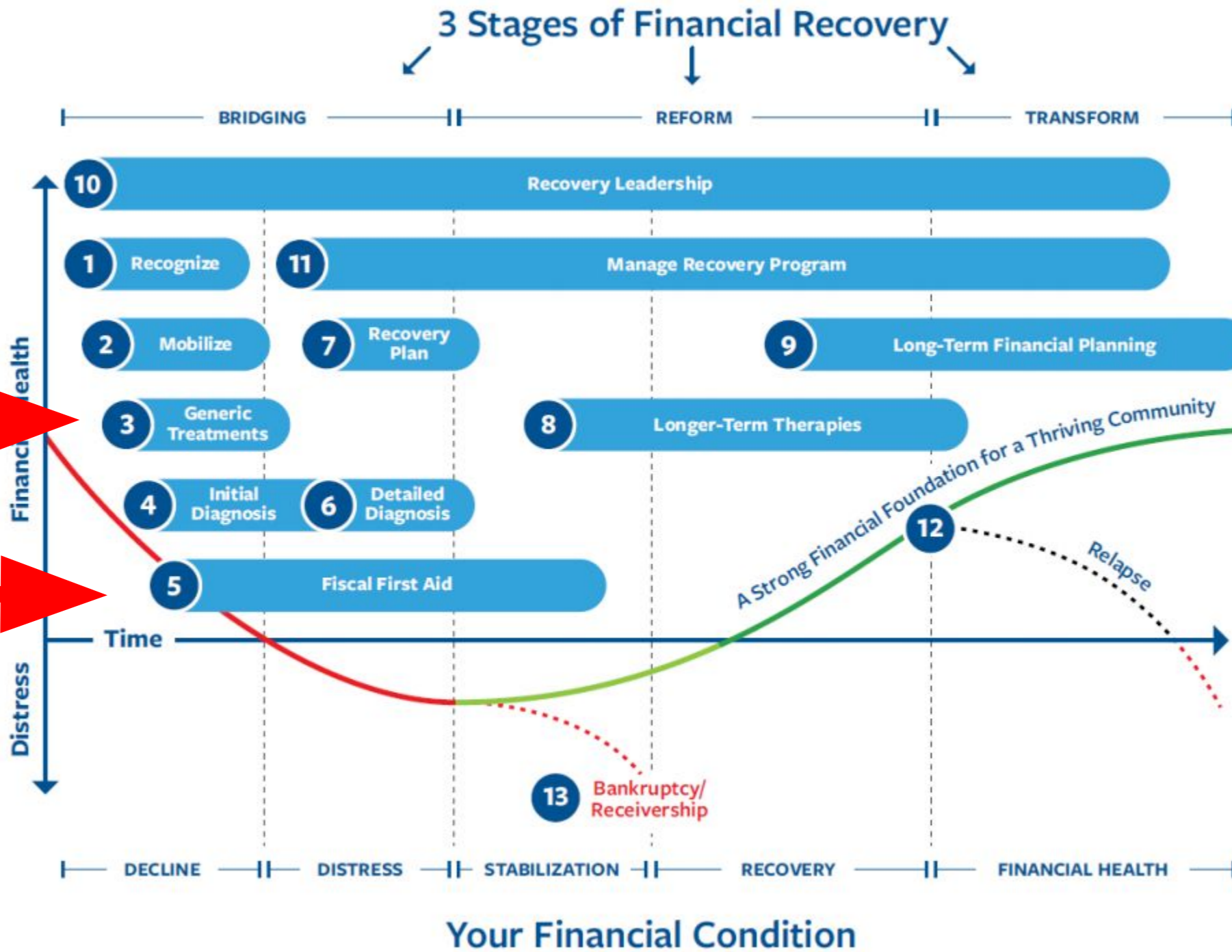


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Financial Recovery Process



12 Steps through the process



Source: GFOA.org/ffa

Treatments

Not all strategies are appropriate in every situation or created equal!

Some Considerations:

- Local circumstances
- Financial burden on residents
- Public health/safety
- Budget impact relative to the effort

Source: [GFOA.org/fiscal-first-aid](https://www.gfoa.org/fiscal-first-aid)



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Generic Treatments

Goals: Slow outflow of cash. Immediately rebalance the budget.

1. Short time to benefit
2. Not complex
3. Reversible

[Source: "Cash is King: Short-Term Strategies to Slow the Flow of Money Out the Door and Keep the Budget Balanced, Shayne C. Kavanagh Joseph P. Casey, PhD, 2020.](#)



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Examples - Generic Treatments

- Short-term hiring freeze
- Eliminate vacant positions
- Stretch professional development funds
- Share personnel
- Analyze equipment needs
- Voluntary and/or mandatory furlough
- Acceptable service level reductions

Reduce Personnel Costs

[Source: "Cash is King: Short-Term Strategies to Slow the Flow of Money Out the Door and Keep the Budget Balanced, Shayne C. Kavanagh Joseph P. Casey, PhD, 2020.](#)



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Examples - Generic Treatments

| | |
|---------------------------------------|--|
| Reduce Capital Expenditures | <ul style="list-style-type: none">● Delay capital projects |
| Reduce Materials Costs | <ul style="list-style-type: none">● Re-examine current maintenance / replacement standards● Office supplies● Energy - turnoff schedules, temp controls |
| Create Cash Inflow/Outflow Advantages | <ul style="list-style-type: none">● Identify line items in budget with consistent surplus in prior years |
| Consider New Resources | <ul style="list-style-type: none">● Reassess internal charges and cost allocation formulas● Reconsideration of unrestricted reserve designations/set asides |

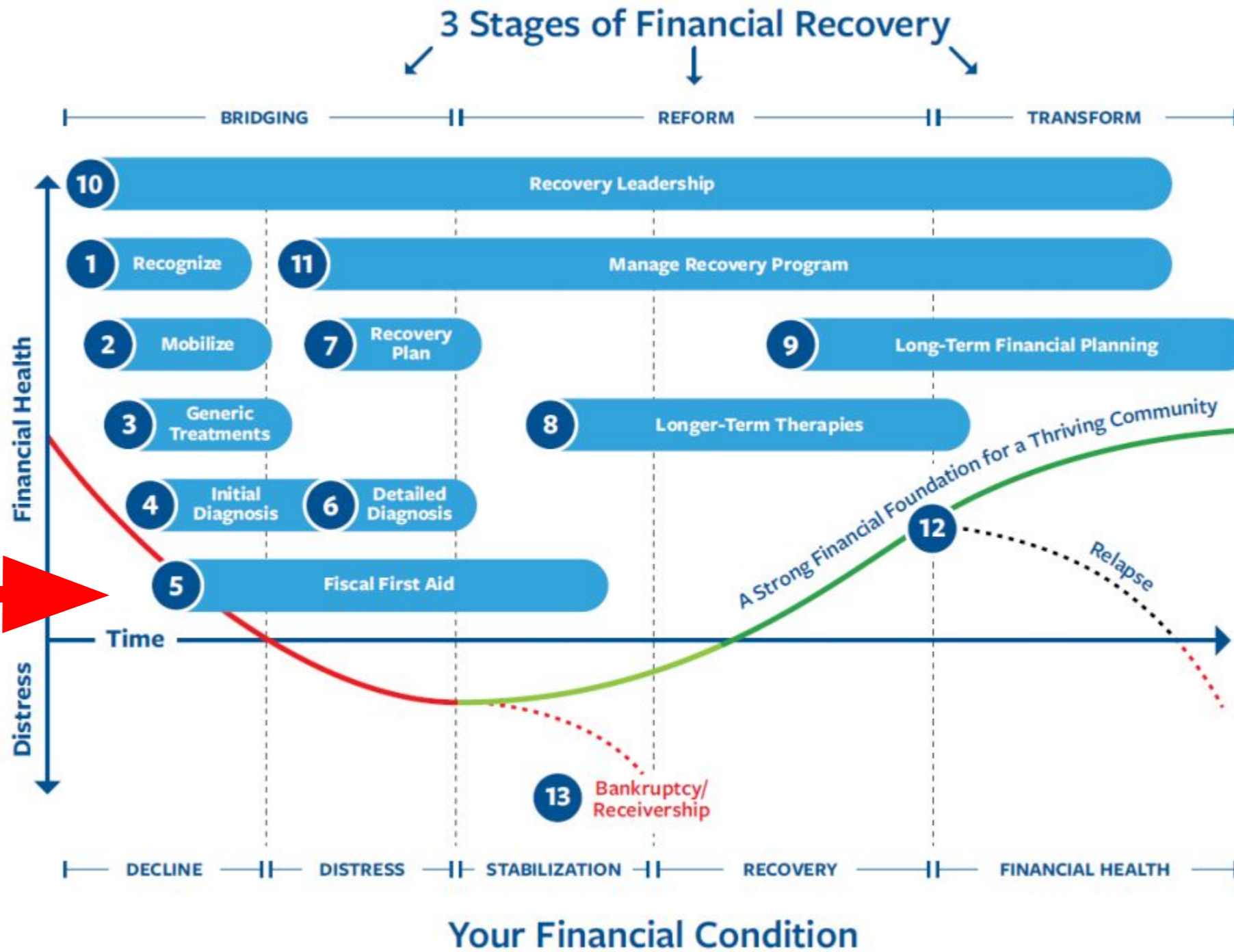
[Source: "Cash is King: Short-Term Strategies to Slow the Flow of Money Out the Door and Keep the Budget Balanced, Shayne C. Kavanagh Joseph P. Casey, PhD, 2020.](#)



Financial Recovery Process



12 Steps through the process



Source: GFOA.org/fiscal-first-aid

Primary Near-Term Treatments

- Next year or two
- Buy time for long term extensive or structural changes
- Stabilize financial position
 - Cash flow projections
 - Review or establish controls
- Data driven, results oriented
 - Collaboration with department managers
 - Share timely information about spending
 - Programs - inventory, determine cost, prioritize
 - Dashboards, financial indicators

[Source: "Balancing the Budget in Bad Times Part 1: Primary Treatments", Shayne C. Kavanagh, 2020](#)



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Examples - Primary Near-Term Treatments

| | |
|-------------------------------------|---|
| Control Personnel Costs | <ul style="list-style-type: none">● Vacancy control● Limit, monitor overtime● Explore health care cost savings● Review use of consultants, temps |
| Enhance Purchasing Practices | <ul style="list-style-type: none">● Vendors - reevaluate, bid, renegotiate● Purchasing practices - bulk, standardize |
| Review Ongoing Expenditures | <ul style="list-style-type: none">● “Auto” expenditures - paper, cell phones, unused memberships/subscriptions |
| Partner/Pool Resources | <ul style="list-style-type: none">● Economies of scale● Shared contingency line item across departments |

[Source: “Balancing the Budget in Bad Times Part 1: Primary Treatments”, Shayne C. Kavanagh, 2020](#)



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Examples - Primary Near-Term Treatments

| | |
|---|---|
| Improve Capital & Equipment Spending, Debt | <ul style="list-style-type: none">● Delayed or cancelled projects can “free up” cash● Long-term capital improvement planning● Equipment replacement schedules● Fleet Management● Refinance debt |
| Enhance Revenue | <ul style="list-style-type: none">● State / Federal Aid● Billing/collection practices - include hardship consideration● Audit tax sources - boundaries, underreported liabilities |

[Source: “Balancing the Budget in Bad Times Part 1: Primary Treatments”, Shayne C. Kavanagh, 2020](#)



Examples - Cautionary Treatments

Control Personnel Costs

- Wage, hiring freezes
- Furloughs
- Close, reduce hours of facilities
- Layoffs
- Increase employee contribution to pension

Reduce Near-Term Capital Spending

- Crucial projects, impacts to operating budget later
- Certain debt restructures (like balloon payments)

Organizational Strategies

- Across the board cuts - not connected to board priorities
- Reorg - savings might be overestimated
- Centralization - long term nimbleness, IT opportunities instead

Sourcing

- Insourcing - possible inefficiencies
- Outsourcing - consider cost over time, loss of control of service

[Source: "Balancing the Budget in Bad Times Part 2: Riskier Treatments for Reducing Cost and Enhancing Revenues in the Next 12-18 Months", Shayne C. Kavanagh, Gordon Mann, 2020](#)



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Simplified Example of Budget Scenarios

| | Revenue Scenario -10% | Revenue Scenario -15% | Revenue Scenario -20% | Revenue Scenario -25% |
|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Generic Treatment A | ■ | ■ | ■ | ■ |
| Generic Treatment B | ■ | ■ | ■ | ■ |
| Primary Treatment A | ■ | ■ | ■ | ■ |
| Primary Treatment B | | ■ | ■ | ■ |
| Cautionary Treatment A | | | ■ | ■ |
| Cautionary Treatment B | | | | ■ |



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Evaluate Treatments

Balancing the Budget in Bad Times

Evaluating the Risk of Using Near-Term Treatments to Cut Costs or Enhance Revenues

Things a government might do to cut costs or enhance revenue in the near term can be risky. This document will help you evaluate and mitigate that risk.

Before you begin this evaluation, first get a sense of the size, timing, and duration of your deficits. [Cash flow forecasting](#) and [scenario planning](#) can help you do this.

After that, compare a Near-Term Treatment you are considering to the five criteria below. [Step 5](#) of GFOA's [Fiscal First Aid](#) program has many Near-Term Treatments for you to consider.



Evaluation Criteria Sheet: gfoa.org/ffa

Criteria #1: Do we have the authority to do it?

- If we think a law or contract is preventing us from using a Near-Term Treatment, have we checked the language in it to make sure the constraint is real?
- If the constraint is real, have we checked with state or federal agencies or the other party to the contract to see if it can be relaxed?
- If the constraint is real, can we lobby with legislators to have it changed?

Criteria #2: What is the potential financial benefit?

- Have we projected the benefit in the first year, factoring in staff time and implementation costs?
- Have we projected the impact over several years? Does this treatment have long-term benefits, no long-term impact, or does it harm our long-term position?
- How certain are we of our projections? If we are uncertain, have we considered other, more predictable options? Or can we gather more information to increase our certainty?

Criteria #3: What is the service impact?

- Could a service that is important for responding to COVID-19 be negatively impacted? If so, how can we mitigate the impact?
- Could a vulnerable population be negatively impacted? If so, how can we mitigate the impact?
- Will a particular group of citizens unfairly bear the brunt of a service reduction? How can we address fairness concerns?

Criteria #4: How feasible is implementation?

- Do we have the staff time and capacity to implement this treatment well?
- Do we have the technology and information to implement this treatment well?
- If we hire outside experts, how confident are we that we will get a return on the investment?

Criteria #5: Will elected officials support it?

- If elected officials need to pass this treatment, can they do it with a reasonable expenditure of political capital?
- Have we provided elected officials with the information

* Implementing the treatment "well" can be defined as realizing the benefits that were projected under Criteria #2.



For more information about GFOA's Fiscal First Aid program, visit gfoa.org/ffa.



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City of Golden

- Balancing 2020 Budget
 - Revenues
 - Expenditures



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Gallagher Amendment Update

- **Existing law, no change**
 - January 2021
 - Division of Property Taxation's (DPT) Preliminary Residential Assessment Rate Study
 - Spring 2021
 - DPT's Final Residential Assessment Rate Study
 - 2022 Budget Year
 - New residential assessment rate
- **SCR 20-001**
 - Would submit Gallagher Amendment repeal to voters
 - 7.15% residential, 29% most nonresidential remains in statute



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Questions & Answers

Moderated by Clay Brown, DOLA Regional Manager



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Thank You!

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Reimagine Main Street: Open for Business

June 25, 2020

11 a.m. to 12 p.m.

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