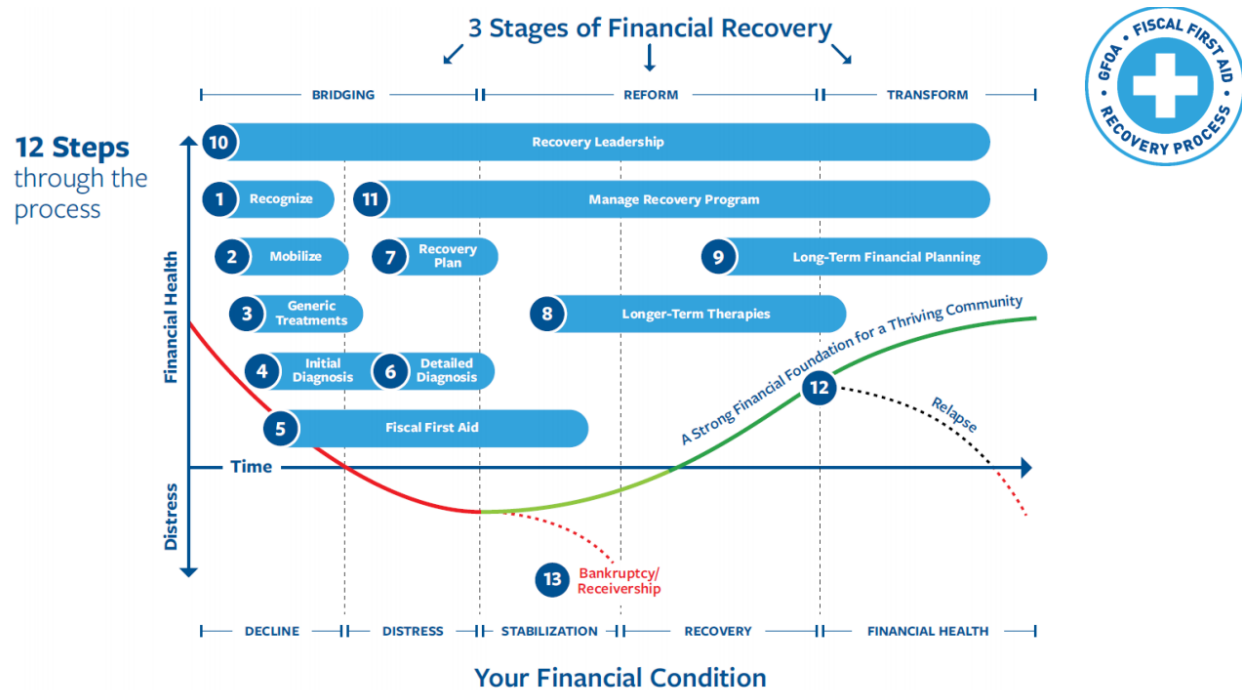


# Budgeting Strategies for Challenging Times

## COVID-19 Pandemic

As communities around the world respond to the financial challenges caused by COVID-19, balancing the budget requires immediate response while creating a foundation for longer term recovery, success, and resilience.

The Government Finance Officers' Association (GFOA) has a number of resources available to establish a process to guide from near-term budget treatments through long term financial planning. The concept of [Fiscal First Aid](#) is useful in response to any financial shock, and establishes a methodical process to think through adapting to the current situation and plan for the future.



## Creating Structure to Manage Through Crisis

Leadership is critical to create a constructive decision-making environment to evaluate and execute near term treatments

- Set a “culture of frugality”
- Stay focused on results rather than inputs/outputs
- Frame crisis as opportunity to break free from status quo
- Use near term treatments to set foundation for longer term strategy

Two-part management system

- Secure financial position (shorter-term solvency)
- Be data-driven and results oriented (longer-term success)

# Budgeting Strategies for Challenging Times

## *COVID-19 Pandemic*

### Generic Treatments

Quick actions to take immediately to preserve cash in a sudden downturn

- Short time-to-benefit
- Not complex
- Reversible

#### *Examples:*

- Reduce personnel costs
  - 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 capital expenditures
  - Delay capital projects
- Reduce materials
  - Re-examine current maintenance/replacement standards
  - Office supplies
- Create cash inflow/outflow advantages
  - Identify line items in budget with consistent surplus in prior years
- Consider new resources
  - Reassess internal charges and cost allocation formulas
  - Reconsideration of unrestricted reserve designations/set asides

### Primary Treatments

Slightly longer term than the first round of generic treatments. Buy time for longer term/structural changes

#### *Examples:*

- Control personnel costs
  - Vacancy control
  - Limit, monitor overtime
  - Explore health care cost savings
  - Review use of consultants, temps
- Enhance purchasing practices
  - Vendors - reevaluate, bid, renegotiate
  - Purchasing practices - bulk, standardize
- Review ongoing expenditures
  - "Auto" expenditures - paper, cell phones, unused memberships/subscriptions
- Partner/pool resources

## Budgeting Strategies for Challenging Times

### *COVID-19 Pandemic*

- Economies of scale
- Shared contingency line item across departments
- Improve capital and equipment spending, debt
  - Delayed or cancelled projects can “free up” cash
  - Long-term capital improvement planning
  - Equipment replacement schedules
  - Fleet management
  - Refinance debt
- Enhance revenue
  - State or federal Aid
  - Billing/collection practices - include hardship consideration
- Audit tax sources - boundaries, underreported liabilities

### Cautionary Treatments

Riskier, but may be necessary in some circumstances

#### *Examples:*

- 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 (such as 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

### Long-term Treatments

Seeing opportunity to become more effective and resilient to future shocks

#### *Examples:*

- Control employee benefit costs
  - Contain employee healthcare costs
  - Reform pensions
- Budget better

# Budgeting Strategies for Challenging Times

## COVID-19 Pandemic

- Don't budget incrementally
- Ensure capital assets are affordable now and in the long-term
- Transform government services
  - Stop or reduce lower priority services
  - Shift from remediation to prevention
  - Improve/simplify work process
  - Overcome the limits of local government fragmentation
- More financially savvy community development
  - Tame the use of economic development incentives
  - Choose financially sustainable land use patterns

## Resources

[Fiscal First Aid](#)

[Cash Is King](#)

[Balancing the Budget, pt. 1](#)

[Balancing the Budget, pt. 2](#)

[Long-Term Treatments](#)

[Financial Foundations](#)

Adapted from the Government Finance Officers Association  
Fiscal First Aid Recovery Process  
By the Department of Local Affairs  
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Local Government Services  
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<https://cdola.colorado.gov/local-government>



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