Fiscal First Aid

Picking the Right Retrenchment Tactics

Different Techniques for the Situation

- **Over-the-Counter**
  - Immediate relief
  - Used early in the recovery process

- **Emergency Room**
  - Far more serious
  - Diagnosis required

- **Cosmetic Surgery**
  - "Cure" is skin deep

### Over the Counter

- **Treatment Examples**
  - Freeze vacant positions or salaries
  - Small across the board cuts
  - Defer/delay capital projects
  - Sharpen revenue billing/collections
  - Cost allocation transfers

- **Considerations**
  - Only a short-term "fix" to relieve pain
  - Safe to apply with minimal diagnosis
  - Know long-term impacts & plan to remediate

### Emergency Room

- **Treatment Examples**
  - Large across the board budget cut
  - Furloughs / hours reductions
  - Reduction in work force
  - Spend reserves
  - Early retirement incentives

- **Considerations**
  - Don't apply without diagnosis
  - This treatments are risky & can go wrong
  - Only to "Stop the Bleeding" – not permanent solutions
Cosmetic Surgery

Not a Solution
- Accounting Gimmicks
- Shifting Operational Costs to Capital Budgets
- Deferring Compensations
- Under fund Accrued Liabilities

See GFOA website if you need help convincing others of this. www.gfoa.org/fiscalfirstaid

Choosing Tactics

- There are many, many first aid techniques to pick from
- Use these criteria to judge which ones fit best
  - Net Benefit (short term and continuous)
  - Time-to-Benefit
  - Equity
  - Side Effects
  - Political feasibility

A few key ones to understand...
- Make managers manage
  - Accountability is crucial
  - Enlist others in solving the problem
- Centralization
  - Not a permanent solution, but may have temporary uses
- Technology automation
  - If you can assign accountabilities to get results
- Across-the-board cuts
  - Fine line between useful and destructive

Fiscal First Aid Exercise: The Shopping Cart

- Form same small groups
- Using information presented, determine pathway to balancing
  - No one pathway
  - Pathways may be constrained for those with collective bargaining
- Groups to provide feedback