

Anywhere USA - Shopping Cart Exercise

Background: Anywhere USA is attempting to balance a 5% reduction in its \$100 million budget (\$5 million shortfall) without a tax rate increase. This \$ 5 million shortfall is after comfortable levels of fund balance use and one-time actions have been utilized with any additional reductions having greater fiscal and operating consequences. The current situation of Anywhere USA is that they have done their best over the years to have a lean budget and to weather the recession with traditional areas of cutting back which includes:

- No pay increases for their 1600 employees and with health insurance increases, employees actually have had net pay reductions
- Hiring freeze which has 5% of positions (80) now vacant and resources currently stretched as those that could be redeployed to help cover position vacancy have already been redeployed
- 20% (\$600,000) reduction in educational training and related discretionary operating line-items
- Capital deferment of computers, vehicles and related capital items with conditions of many capital items nearing end of useful life
- Other areas reduced for operational savings goals, but generally transparent to customer
- Many user fees increased to recover costs

Goal/Instructions: Using the items attached, assemble a “shopping cart” that totals \$5 million. While there is no absolute right or wrong manner in which to select these items (or pro-rata share or multiplier of applicable items), there needs to be a logical rationale that considers: employee morale, political acceptance, service sustainability and other factors to warrant the item. The goal is to not simply have a quantitative balancing exercise, but to convey the logic behind a balanced proposal.

Remember the list of potential items is shown in unit measures (e.g., 1%), therefore you can create a higher or lower \$ through adjusting the unit measure, but do stay within maximum noted. Note that in order for this exercise to be completed, a finite number of “shopping cart” items are presented, when in reality this list is more expansive and harder to quantify.

Discretionary line-items represent many areas where adjustments can be made without significant adjustments to employees or services (e.g., training, printing, supplies, contributions, small capital).

In order to provide for the freedom for you to balance, you may include options to defer capital, utilize fund balance or use debt financing; however, the additional uses of these tools will have consequences on year 2 and thereafter of your budget. The cumulative amount of these three sources is noted and if used, be prepared to discuss rationale and/or assumptions for creating hardship for year 2 (e.g., political, morale, service, optimistic recovery).

One area that differentiates local government are those that are subject to collective bargaining agreements (unions) with their related constraints on benefits and compensation. Therefore, groups will be divided into those that are subject to these agreements and those that are not with additional assumptions made for collective bargaining groups as to the extent, if any, compensation and benefit assumptions could be applied.

Proceed to worksheet, note quantify (units) of selected items and \$ impact under “Shopping Cart” with goal to have total at \$5,000,000. For purposes of balancing and time allotted to complete, feel free to use the last line (one-time use.....) as a balancing item for any amounts within \$100,000 of target reduction.