LOCAL GOVERNMENT STRATEGIES FOR THE COVID-19 BUDGET CRISIS

JUNE 25, 2020
MRB and SmarterLocalGov

MRB has been serving local governments for nearly a century as engineers and architects.

SmarterLocalGov was established in 2010 as the firm’s local government management arm.

Today, we support local governments around New York State in their management, finance, grants, community development, and economic development needs.

IT ALL STARTS WITH COMMUNITY

SmarterLocalGov is an initiative of MRB Group; a multidisciplinary firm with over a century of service to local government. After working with over 100 communities around the country, our principals identified common themes that communities are struggling with. We began to assemble the best and brightest local government minds in the hopes of advancing total community health—the financial, social, and environmental sustainability and resilience of our communities.
SmarterLocalGov Team

MATT HORN
Matt serves as Director of Local Government Services. He has a 20-year track record of serving communities of all sizes in roles including City Manager, Assistant City Manager, and as a department head.

MICHAEL N’DOLO
Michael is our Director of Economic Development. He has decades of experience in market analytics, strategic economic development, and real estate analysis. He is a nationally-recognized Opportunity Zone expert.

DIANA SMITH
Diana is our Senior Municipal Operations Advisor. As the former Mayor and Past-President of the Conference of Mayors, she brings direct government experience in financial management.
DEFINING THE PROBLEM

Local governments have been hit, but how bad? Where has there been pain? How to public officials view the nature of the problem?
WHAT IS THE CRISIS ABOUT?

The “Pain”

Cash Crunch?
Or
Operating Losses?

The Outlook

How bad will this get?
How long will it take to recover?
### Possible Solutions

#### Cash Flow

**Short Term**
- Draw down reserves
- Stretch out payments to vendors
- Issue bond anticipation notes
- Temporary halt on projects
- Furlough staff
- Postpone new equipment purchases

**Long Term**
- Issue new bonds
- Refinance existing debt – lower rate, longer term
- Roll debt coming due
- Use long-term bonds instead of vehicle leases, to extend payment schedule

#### Bottom Line Break Even

**Short Term**
- Headcount reduction
- Institute fee-for-services (for what is currently not charged, e.g. yard waste pickup, community pool)
- Offer employee buy-outs
- Delay filling open positions
- Freeze travel and other discretionary
- Freeze pay increases

**Long Term**
- Consider new sources of revenue (e.g. paid parking)
- Engage community on a discussion about essential services and levels thereof (ie. cut non-essential)
- Raise property taxes
- New models of service delivery: shared services, contracting
- Allow reduction via attrition
“Survey says...”
THE DATA

40 Responses, by Type of Gov

- City: 11
- Town: 16
- County: 5
- Village: 8
THE DATA

How does this compare to 2008-2009?

- Same: 33%
- Worse: 37%
- Better: 30%
How long will this last?

- One Year: 40%
- Two or More Years: 47%
- Other: 13%
THE DATA

Actions >50% Local Govs are Taking

- Reduce staff with attrition
- Raise existing tax rates
- Freeze pay increases
- Cut non-essential services
- Postpone new equipment purchases
- Postpone capital projects
- Pursue shared service agreements
- Postpone new hires
- Freeze travel and other discretionary
- Draw down reserves
THE DATA

Actions <50% of Local Govs are Taking

- Issue bonds
- Stretch out payments to vendors
- Issue bond anticipation notes
- Institute new taxes or fees (e.g. parking)
- Refinance existing debt
- Institute new fees-for-services
- Offer employee buy-outs
- Reduce employee benefits
- Pursue outsourcing
- Furlough staff
THE DATA

Certain Actions are More Prevalent for Cities/Counties than Towns/Villages

Hypothesis: City/County gov is more reliant on sales tax and other volatile revenues

- Offer employee buy-outs
- Freeze pay increases
- Raise existing tax rates
- Reduce staff with attrition
- Furlough staff