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Towards Financial Resilience: Budgeting During COVID-19

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The Journey to Fiscal Recovery



Respond

Stem the bleeding



Stabilize

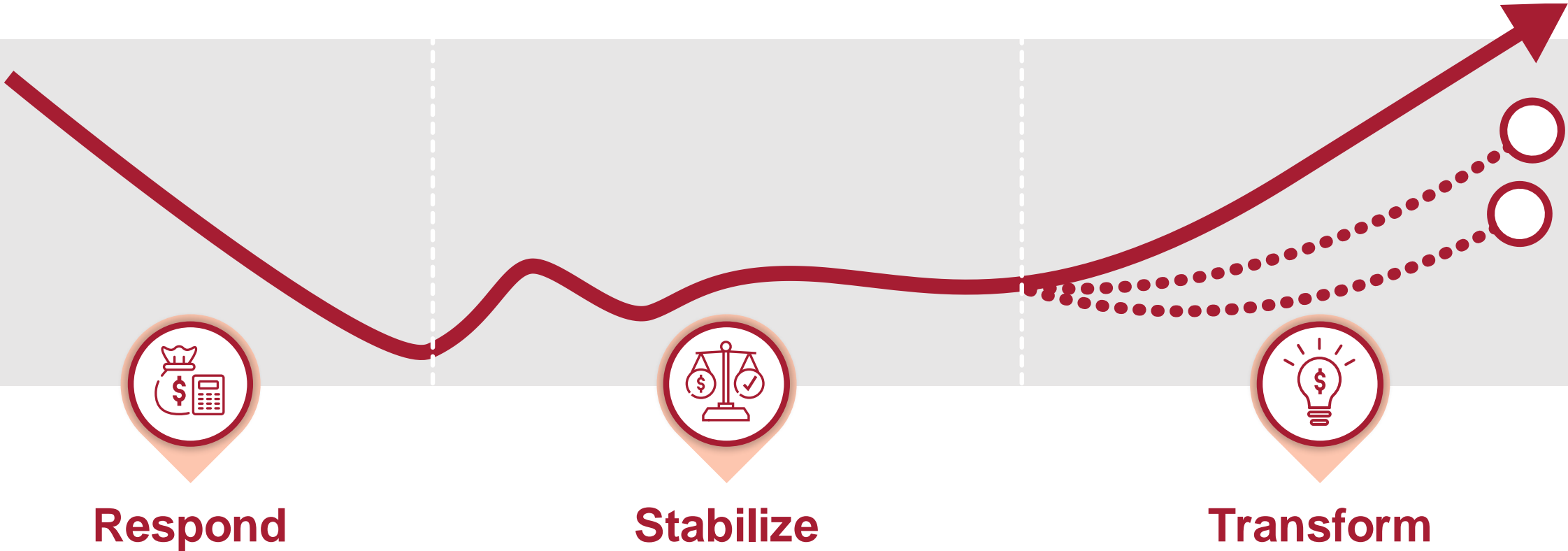
Laying the
groundwork for
stabilizing the local
economy



Transform

Opportunity to fund new
priorities and take your
city in new directions

Local Government is in a Perfect Fiscal Storm



COVID-19 State Budget Shortfalls Could Be Largest on Record

Total shortfall in each fiscal year, in billions of 2020 dollars



* Estimates based on CBPP calculations using Congressional Budget Office and Goldman Sachs unemployment estimates. Does not reflect use of rainy day funds or federal aid already enacted.
Source: CBPP survey of state budget offices (through 2013); CBPP calculations (2020-2022)



What has been hardest for you in navigating the financial uncertainty of this crisis?

**FY 2020 is bad.
FY 2021 will be worse.**

No one knows your city as well as you do. You can do this.

- 1. Less local aid from States**
- 2. Lower own-source revenues**
- 3. New spending needs**
- 4. Higher borrowing costs**
- 5. Huge uncertainty on duration and depth of crisis**

Respond: Immediate Steps



- 1 Strategic budget cuts using activity-based mindset**
- 2 Forecast based on current assumptions**
- 3 Ask stakeholders what they need**

Budget cuts are painful.

Shifting to an activity-based mindset allows you to pause, be more strategic.

- 1. Across-the-board cuts are simple, but not strategic**
- 2. Departments have their own priorities – which may be different from yours**
- 3. Lay out activities performed in each department**

Strategic Cuts:

Traditional Budgeting vs. Activity-Based Budgeting



Traditional Budget is line-item

Traditional Budget	
Salaries	\$ 371,917
Fringes	\$ 118,069
Supplies	\$ 74,745
Equipment	\$ 25,614
TOTAL	\$ 590,345



ABC Budgeting	
Adult Education	\$ 150,600
ESL	\$ 220,789
Kids Programs	\$ 145,203
Building upkeep	\$ 30,000
Book acquisition	\$ 43,753
TOTAL	\$ 590,345

Budget FY 2021: Question Everything

Reimagine revenue:

- Base assumptions on micro-samples, not history

Reimagine cost structure:

- Ruthlessly cut overheads
- Systematically review all contracts
- Support underserved communities in new ways

Budget for two scenarios through 2021:

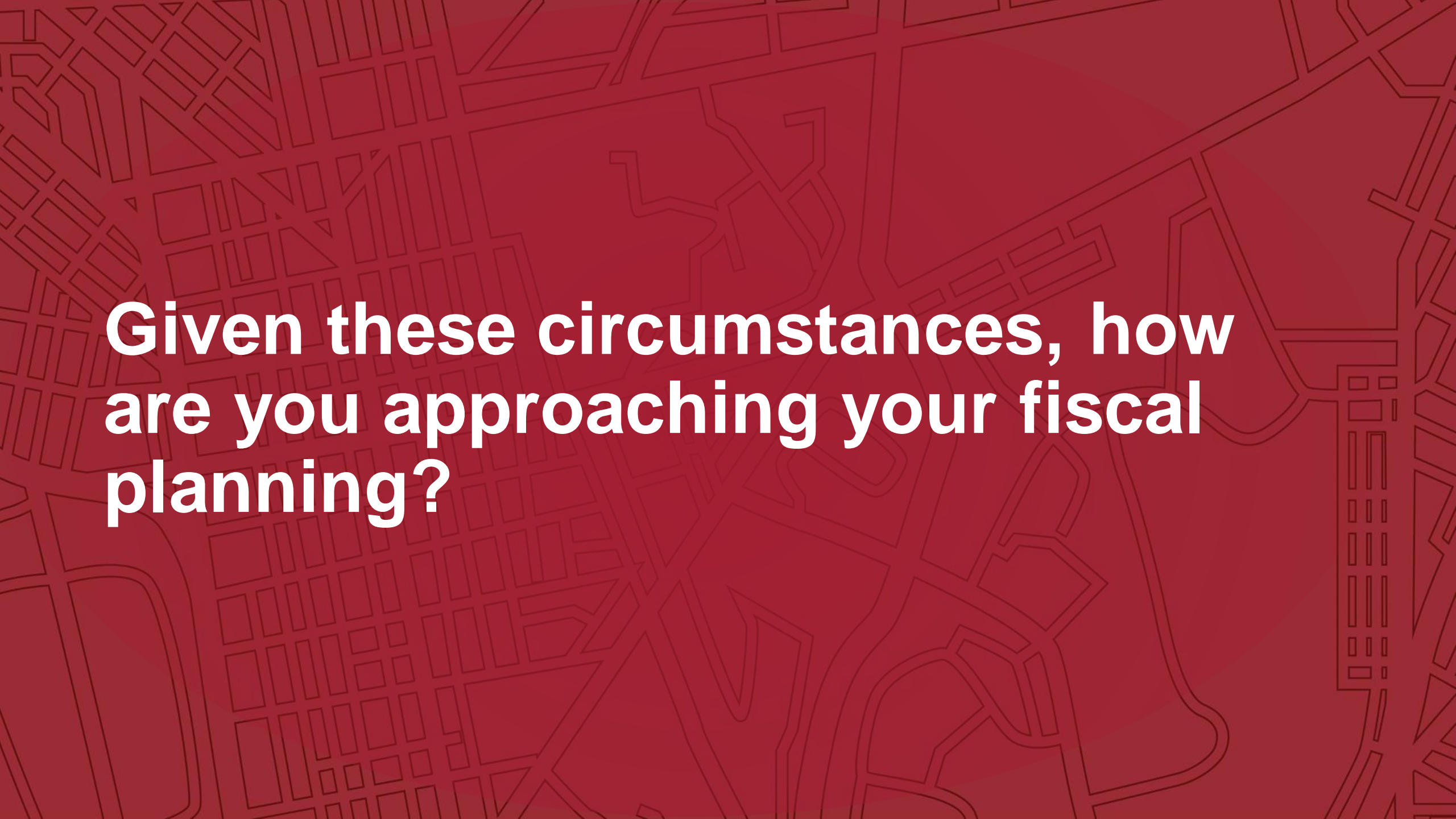
1

What you expect to happen based upon what you see today.

2

What is the worst case that can happen based upon what you see today.

Information will change! *Update quarterly.*



**Given these circumstances, how
are you approaching your fiscal
planning?**

Stabilize: Proactive Capital Budgeting



Tell your story

- 30-year bonds now 3.5%, may go to 5% when supply goes up
- Investor uncertainty driving muni market
- Differentiate your projects

Engage Investors Actively

- Raise awareness of new bond issues with Chamber of Commerce in advance
- Liaise with community banks and investors every quarter

Shift cash from Wall Street to Main Street

- Ask State Treasurers to seed investment in local community by holding state cash in local banks

Transform: New Opportunities



Leaner Operating Budget

- Redirect departmental funds to top priorities
- Opportunities to reduce city rents, use telework, shorten workweek, job shares, environmental benefits

New Partnerships

- Regional partnerships established now can be recovery engines
- Relationships with SMEs, community banks

Preserve Tax Base for the Future

- Infrastructure projects and relationships with community groups, banks and SMES



Session Wrap Up & Takeaway

**Some benefits
that emerged
after previous
pandemics...**



Indoor Plumbing



Sewage treatment



Public Parks



Public Housing



**Guaranteed healthcare
(in many countries)**



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