

Simulated Financial Crisis Exercise

Background

Military simulations, also known as war games, are simulations in which theories of warfare can be tested and refined without the need for actual hostilities. They have evolved over the centuries, are a useful way to develop tactical and strategic solutions to defined problems, and provide useful experience to the participants. This exercise borrows the simulation concept and applies it to a financial situation the Town might face in the future.

Situation

The following situation cannot be challenged or modified by the participants, but must be accepted and used as the “tactical” situation for the exercise:

Time: February, 2010

BOS position: There are efficiencies and cost reductions that can and should be made to balance the budget. The board recently voted not to recommend an override.

FinCom position: We concur in the B.O.S. position not to recommend an override to ATM.

Recent I&M survey results: 76% of the voters do not favor an override or an increase in fees or taxes.

Exercise Problem

A \$3,000,000 gap between revenues and expenses for FY 2011 has been projected and you have been asked as a knowledgeable, but independent, observer to recommend steps to balance the budget using a combination of:

- a) elimination/reduction of non-essential Town services;
- b) greater efficiencies in Town functions;
- c) cost reductions; and
- d) force reductions.

Financial data

The following estimates for FY 2011 are entirely fictitious and have been created for exercise purposes only. The services, efficiencies and cost reductions, listed in this exercise, however, have been taken from the earlier work of the AHFC.

1. Reduction of Non-Essential Services

FY 2011 Savings

Fire prevention programs	\$100,000
Beach management	\$50,000
Shellfish propagation	\$100,000
Tree maintenance	\$50,000
A.C.D.C.	\$200,000
Geriatric psychiatry services	\$50,000

<u>2. Greater Efficiencies</u>	<u>FY 2011 Savings</u>
Outsource Town mowing, snowplowing, etc.	\$50,000
Consolidate P&R, Community school, pool	\$300,000
Reduce legal service costs	\$150,000
Restructure Visitors Services	\$100,000
Half-day kindergarten elimination	\$300,000
Consolidate Town/school finance departments	\$100,000
<u>3. Spending Reductions/Savings</u>	
Charge for MedFlight support	\$75,000
Increase ratio of pupils/teachers	\$400,000
Outsource maintenance/grounds at school	\$100,000
Consolidate Human Services functions	\$100,000
Increase personal health care contributions by 10%	\$400,000
Move ATM to a single 8 hour day	\$25,000
Suspend sidewalk maintenance for 12 months	\$25,000
Suspend pond openings for 12 months	\$25,000
Reduce pupil services	\$50,000
<u>4. Force Reductions</u>	
Average annual savings (including benefits) for each individual removed from Town or school payroll	\$75,000

Required Exercise

Using only the above information, please prepare an itemized list of the specific steps you recommend to the Town administration to balance the FY2011 budget. Please keep in mind that the total of all your recommendations must total \$3,000,000.

Please email your responses to Dual by August 28th.