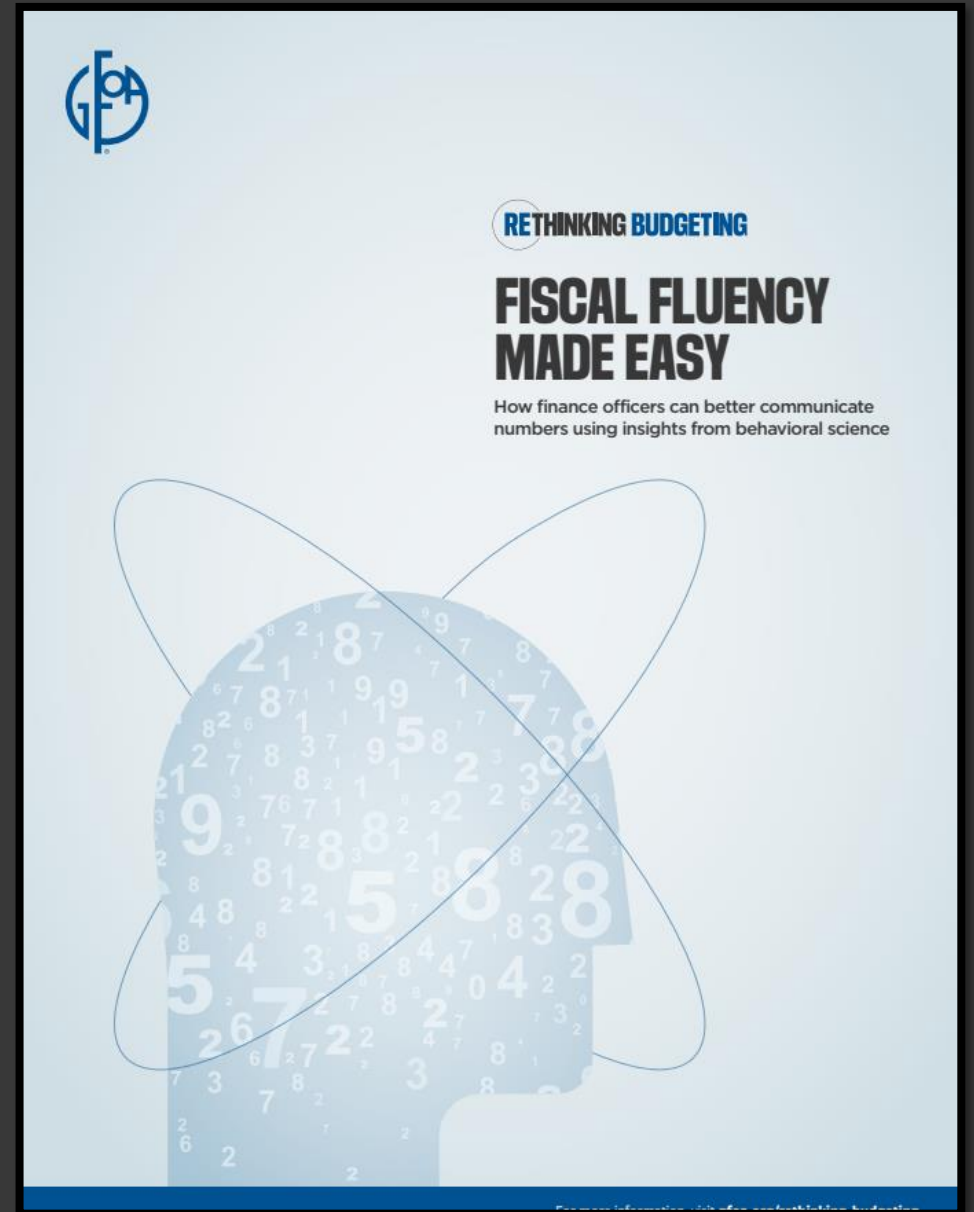


FISCAL FLUENCY MADE EASY

Part of Rethinking Budgeting



Sources



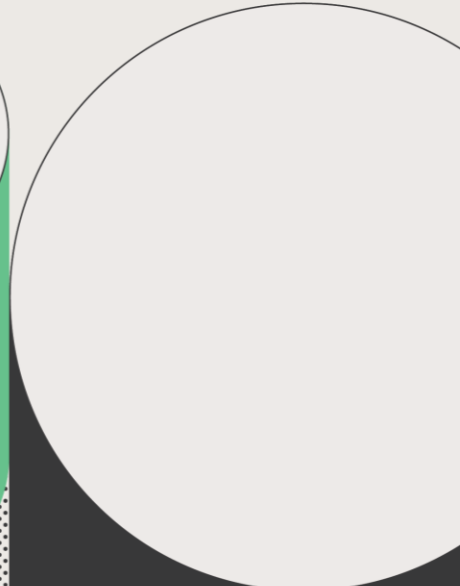
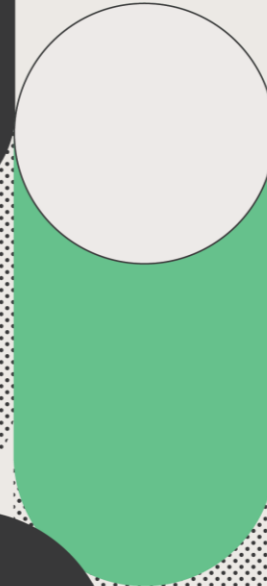
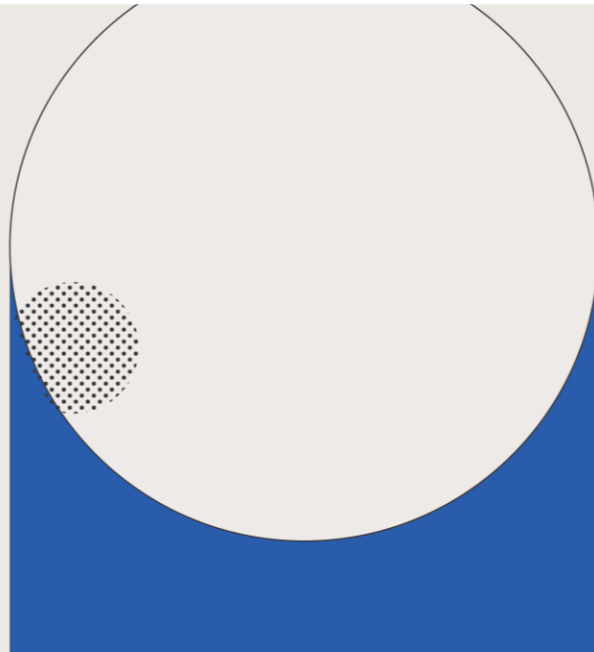
THE LIMITS OF RATIONALITY

People do not really understand numbers, especially the very large numbers that make up a budget.

“Our brains were designed to grok 1, 2, 3, 4, and 5. After that, it’s just “lots.”

Information is lost unless numbers are translated into human experience.

FOUR BUILDING BLOCKS FOR BETTER COMMUNICATION





The Problem: Abstraction

The higher number get, the less sensitive we become to them.

This is known as “psychophysical numbing”

Every number can be translated into something that is easier for people to grasp, like an analogy, a comparison, and more.

TAKE A CUE FROM CHILDHOOD

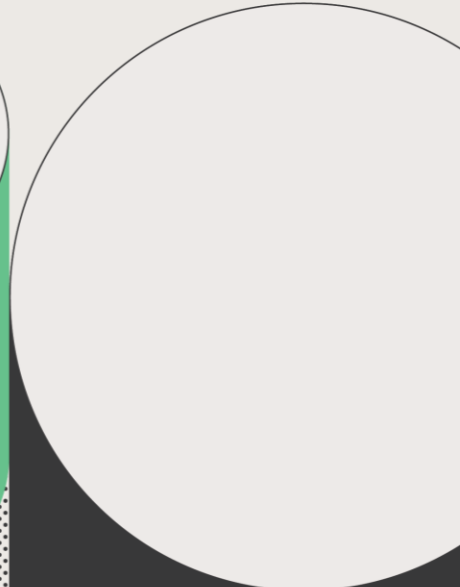
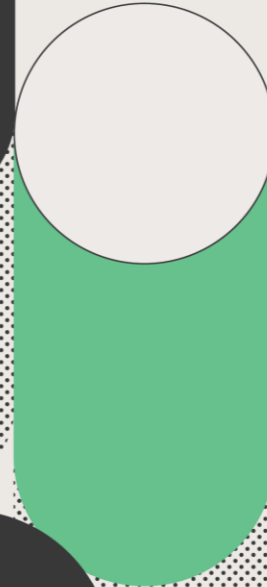
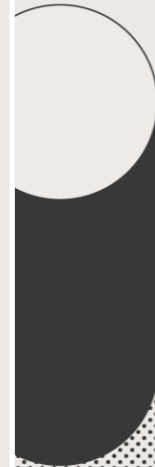
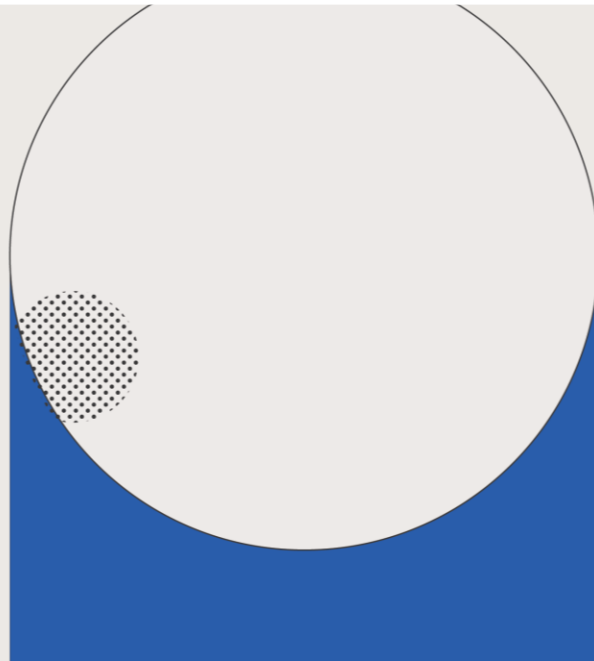


- Translate numbers into human experience
- We can do better than fingers and toes

Four Building Blocks

- Translate Numbers to Human Scale
- Help People Grasp Your Numbers
- Catalyzing Action with Emotional Numbers
- Build a Scale Model

TRANSLATE NUMBERS TO HUMAN SCALE

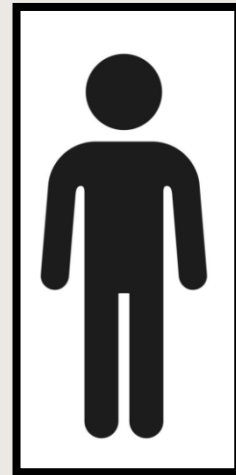


CONSIDER SPORTS STATISTICS

Focusing on One at a Time



Per Capita Figures



*Impact on Tax Bill
of Average Home*

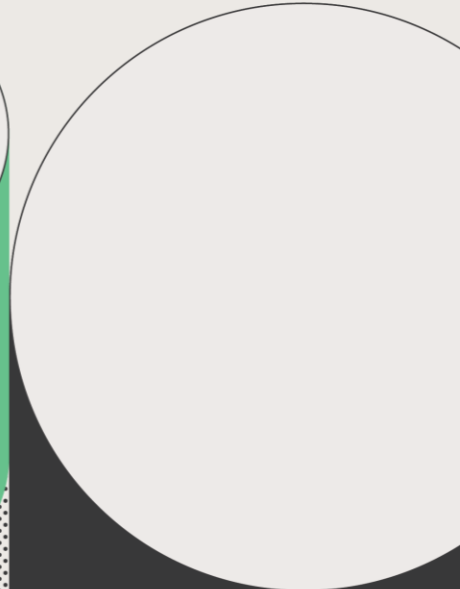
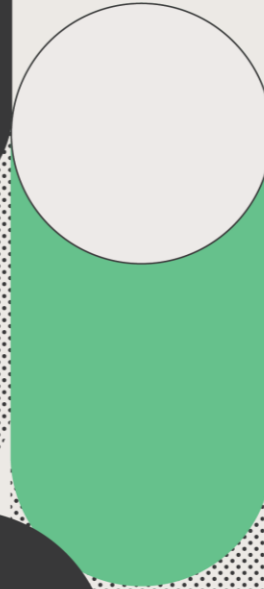
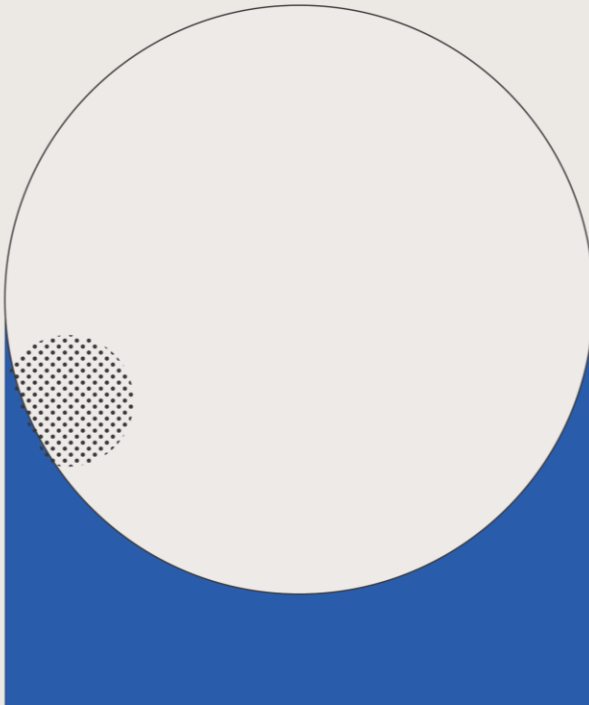


FAVOR USER-FRIENDLY NUMBERS

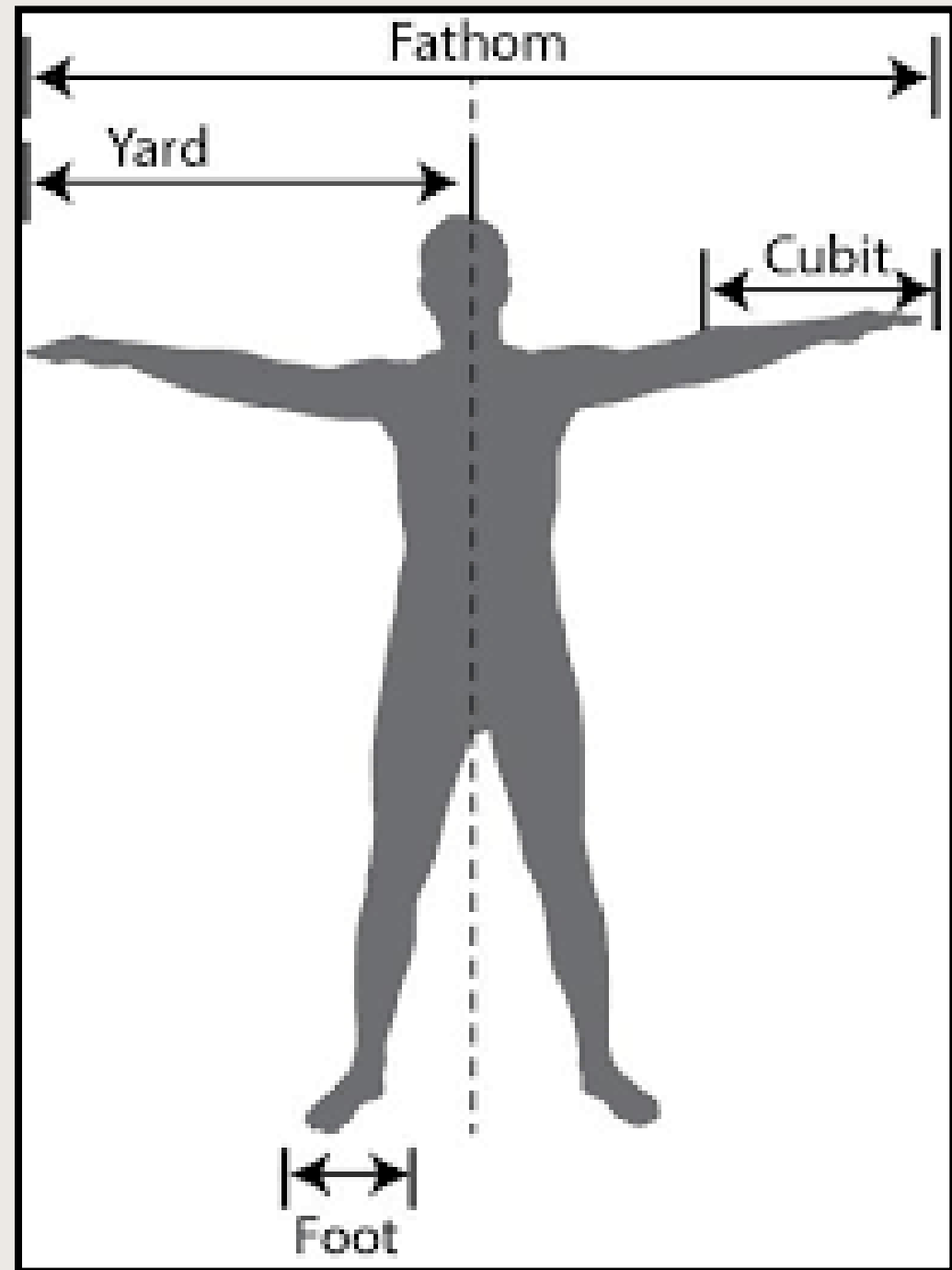
- Round with Enthusiasm (remember telephone numbers!)
 - \$3,405,892 → \$3.4 million
- Concrete is better: Use Whole Numbers to Describe Fractions

Department	% of Spending	For every \$10 of spending...	For every \$100 of Spending...
Police	36%	\$4	\$36
Fire	31%	\$3	\$31
Public Works	22%	\$2	\$22
Admin	11%	\$1	\$11

HELP PEOPLE GRASP YOUR NUMBERS



**IT IS NOT AN
ACCIDENT THAT
“GRASP” ALSO
MEANS TO
UNDERSTAND**



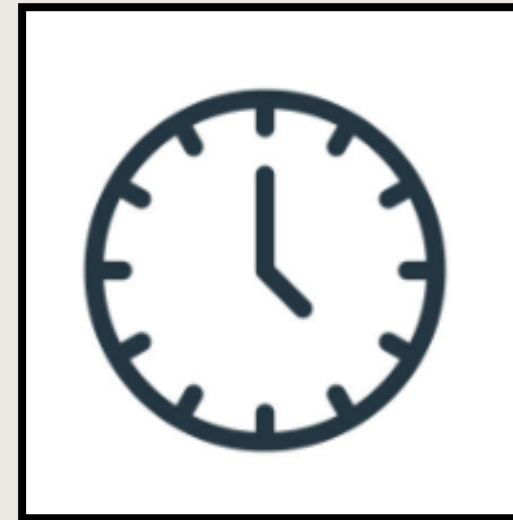
HELP PEOPLE GRASP YOUR NUMBERS

Use Simple Familiar Comparisons

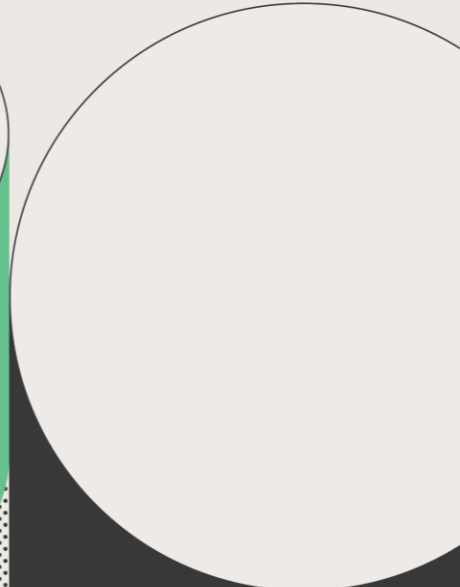
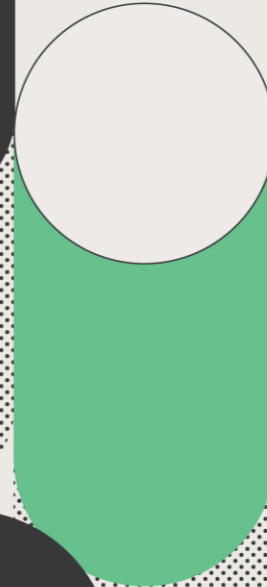
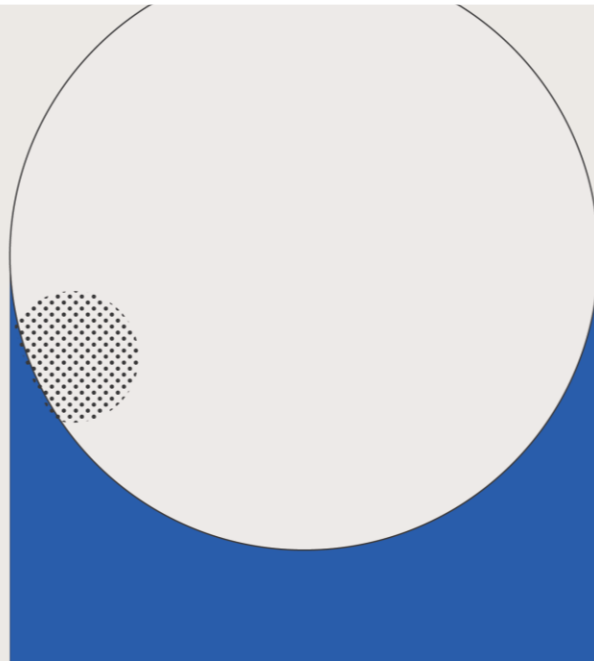
*Cost of Municipal Service
vs. Consumer Goods*



Trade Time for Money



CATALYZE ACTION WITH EMOTIONAL NUMBERS



**SOMETIMES A
FINANCE
OFFICER MAY
NEED TO INSPIRE
ACTION...**

- Numbers speak to logic
- Actions often spurred by emotion

Ethical Warning!



CATALYZE ACTION WITH EMOTIONAL NUMBERS

Use a Vivid Comparison



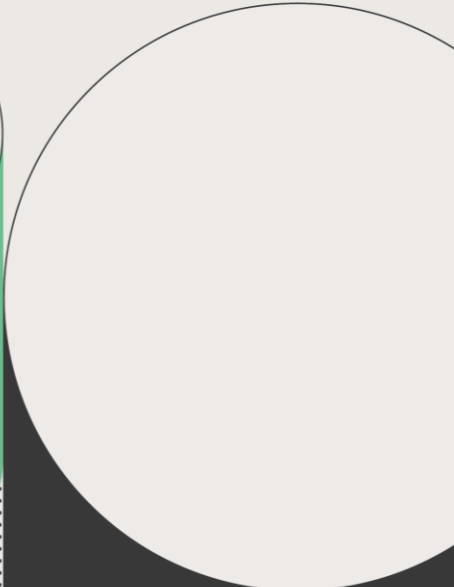
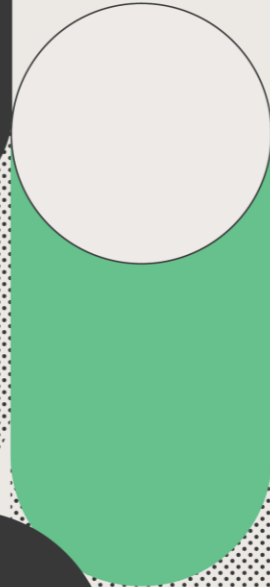
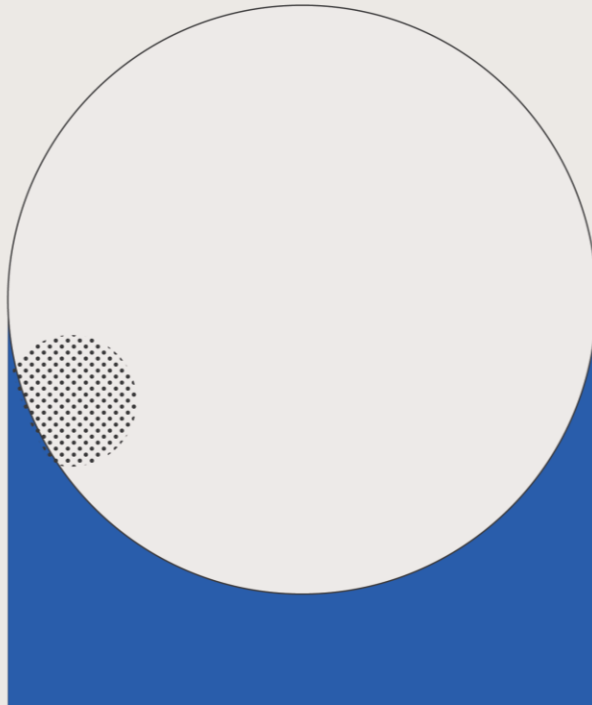
Make the Number Personal



Establish a Pattern, then Break it

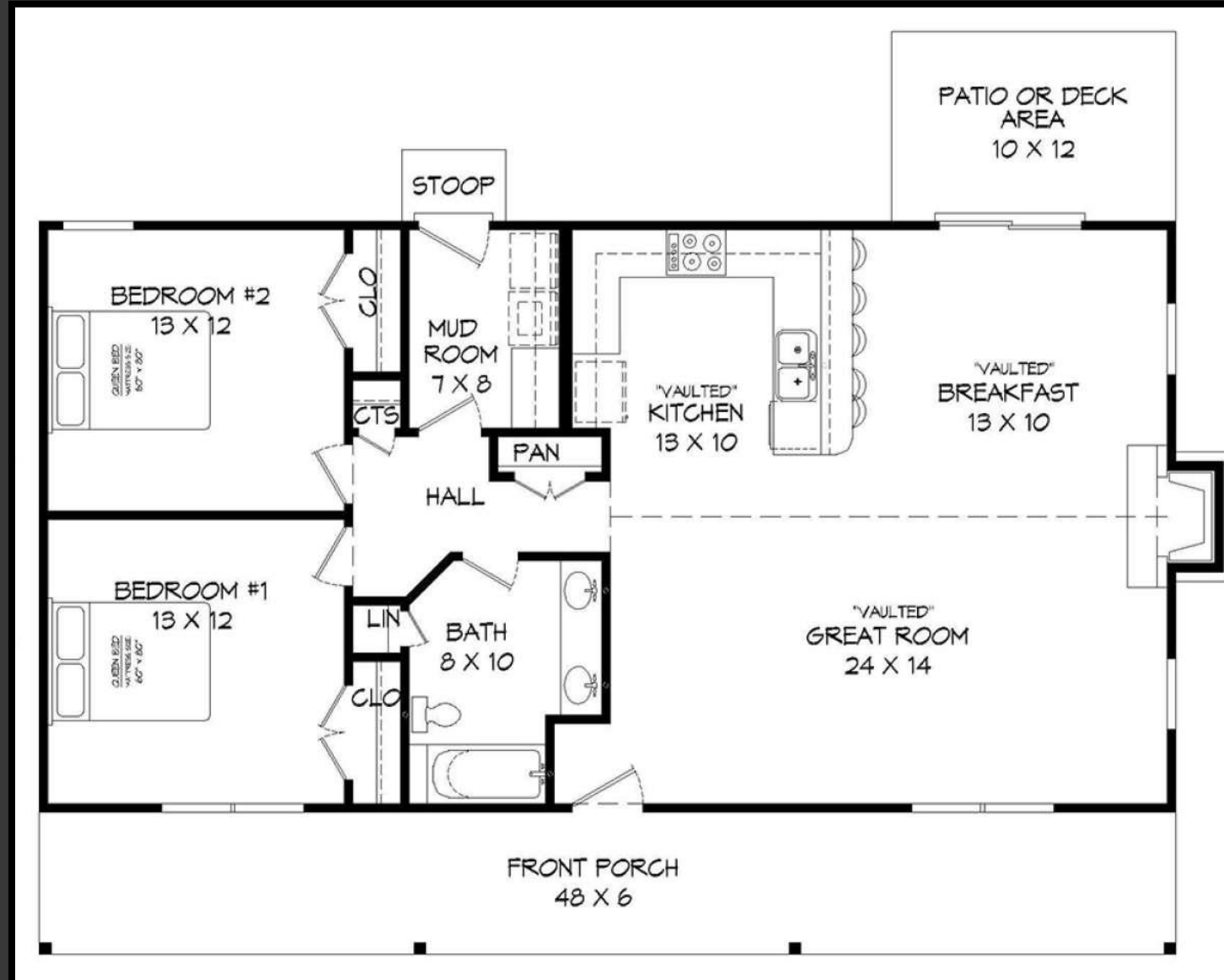


BUILD A SCALE MODEL



Can you imagine how a large 1,200 square foot house is?

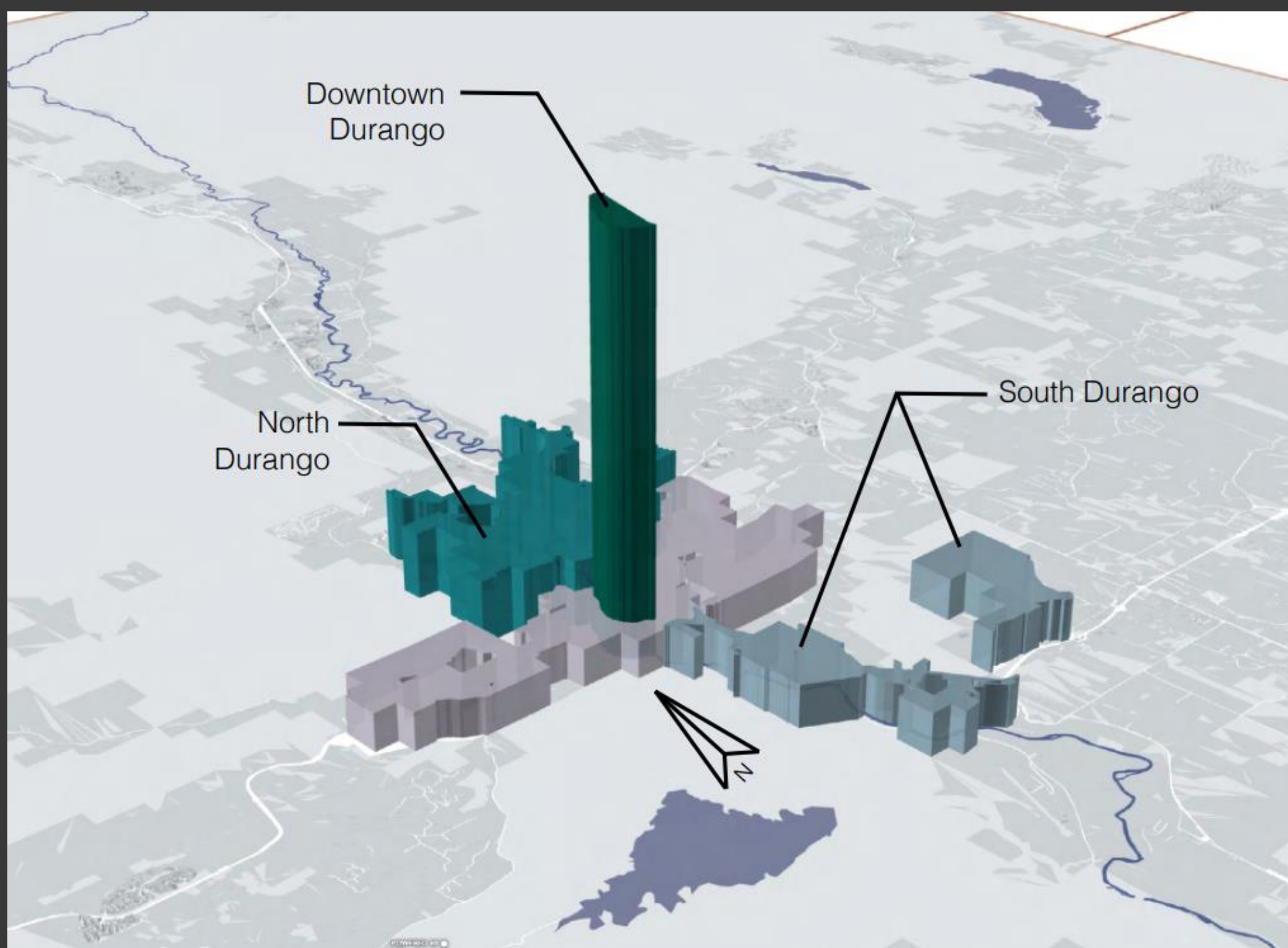
How about now?...



**PEOPLE FIND SCALE
MODELS
INHERENTLY
INTERESTING**

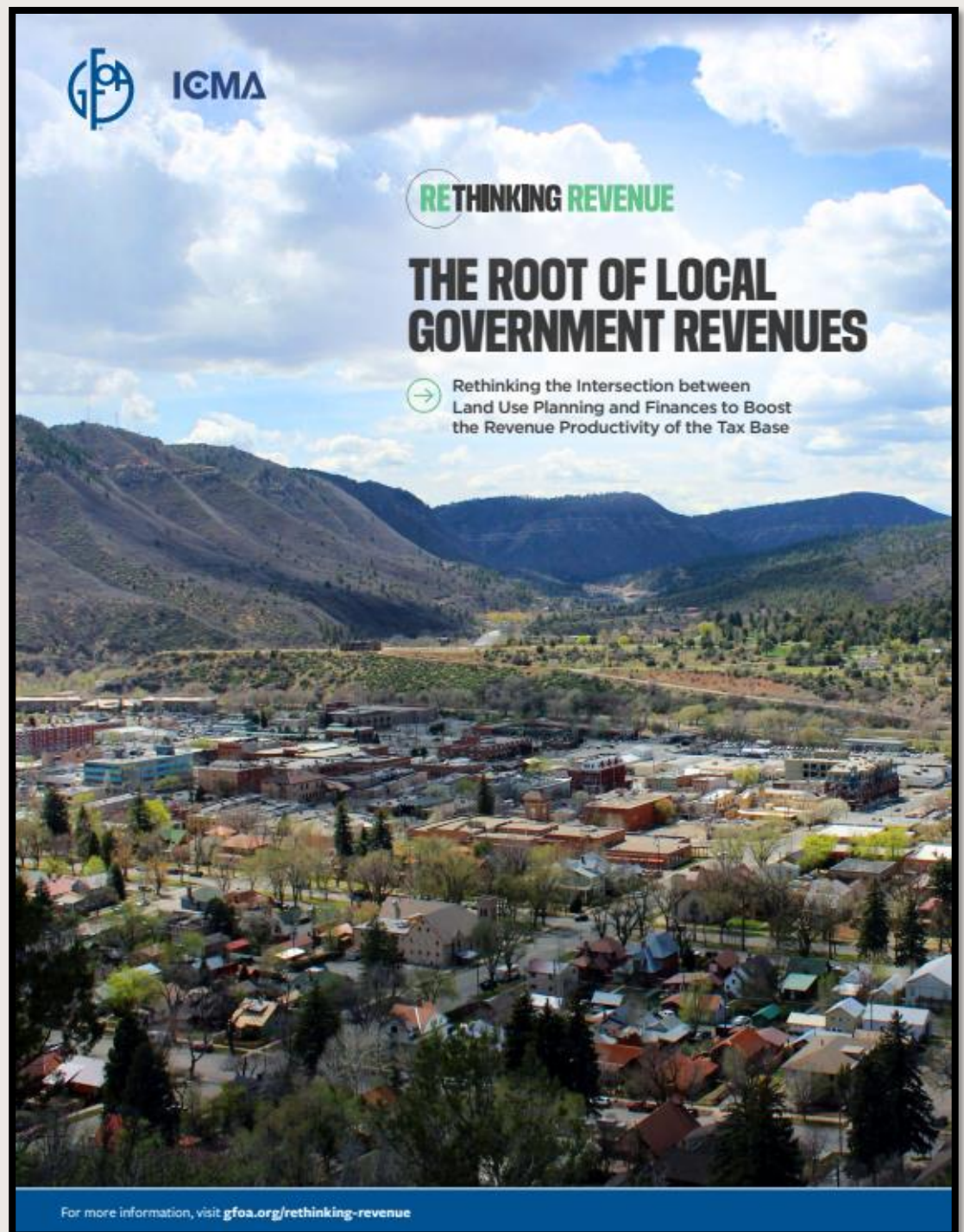


Combine financial information with geospatial information

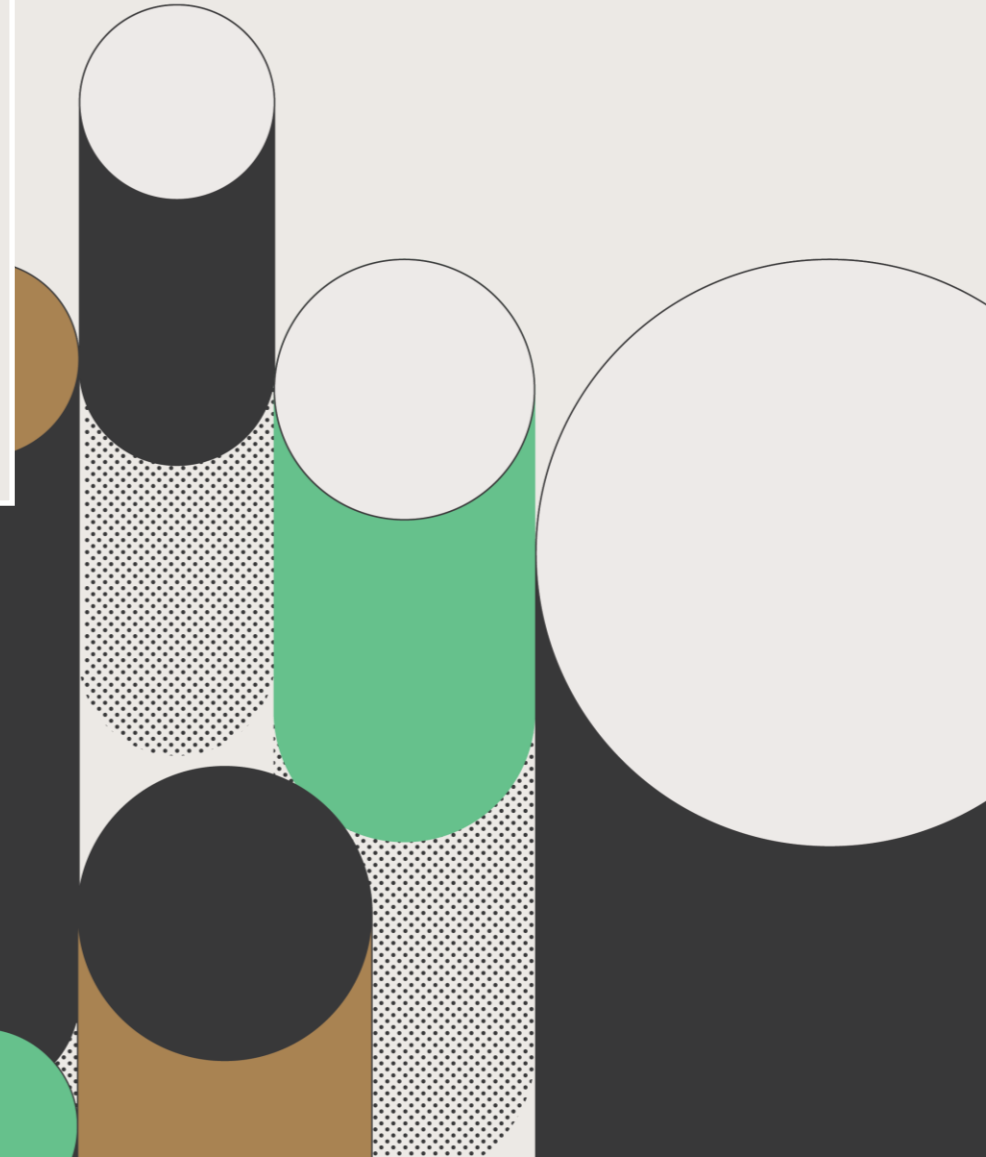
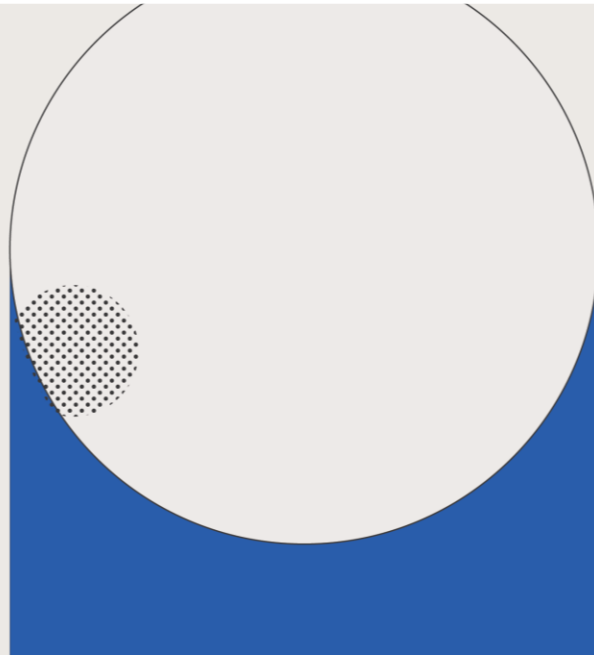


FOR MORE...

*The Root of Local
Government
Revenues*



MAKING NUMBERS COUNT IN PUBLIC FINANCE



CONSIDER THE CITY OF SAN MATEO'S GENERAL
GOVERNMENTAL OPERATING BUDGET

$$\begin{array}{l} \$170 \text{ MILLION ANNUAL OPERATING BUDGET} \\ \div \\ 40^{\text{K}} \text{ HOUSEHOLDS IN SAN MATEO} \\ = \\ \$260 \text{ PER HOUSEHOLD PER MONTH} \end{array}$$

\$260 PAYS FOR PUBLIC SAFETY, PUBLIC WORKS, LIBRARY, PARKS/ RECREATION, AND MORE



TO MAKE THIS NUMBER CONCRETE, WE CAN COMPARE IT TO COMMON HOUSEHOLD EXPENDITURES

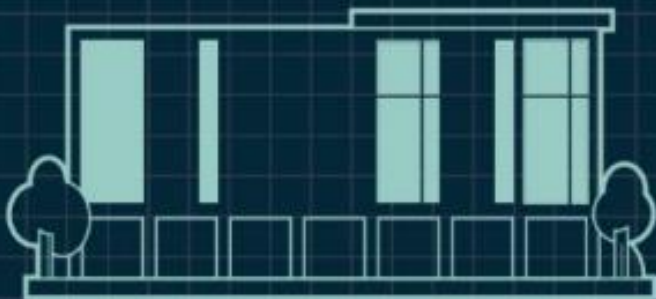
VS

\$300 SUCH AS THE AVERAGE HOUSEHOLD MONTHLY ENTERTAINMENT BILL

*Challenge:
Describing the
Value of
Government*

*Challenge:
Describing the
Burden of Debt*

CONSIDER SAN MATEO'S GENERAL OBLIGATION BOND
TO FINANCE THE COST OF ITS MAIN LIBRARY



COMPARE THE \$37 TO
THE AVERAGE HOUSEHOLD
ANNUAL SPENDING ON
READING MATERIALS!



\$2 MILLION
PER YEAR
TOTAL PRINCIPAL
WITH INTEREST

= \$37 VS
PER HOUSEHOLD
PER YEAR

\$110
PER HOUSEHOLD
PER YEAR

OR CONSIDER IT BY MONTH

\$7 

A BEST-SELLING PAPERBACK
MIGHT COST AROUND \$7 AND
TAKE ABOUT A MONTH TO READ

VS

\$3  PER HOUSEHOLD
PER MONTH

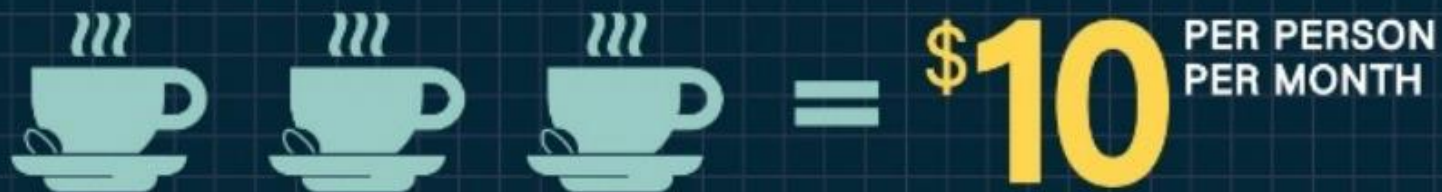
HOWEVER, THE MONTHLY HOUSEHOLD
COST TO BUILD THE PUBLIC LIBRARY
IS A FRACTION OF THAT AMOUNT!

*Challenge:
Describing the
Burden of Debt*

CONSIDER THE DEBT SERVICE FOR SCHOOL BUILDINGS AT PALM BEACH PUBLIC SCHOOLS



THEN COMPARE THE \$8 TO THE AVERAGE ADULT'S MONTHLY COFFEE EXPENDITURE!



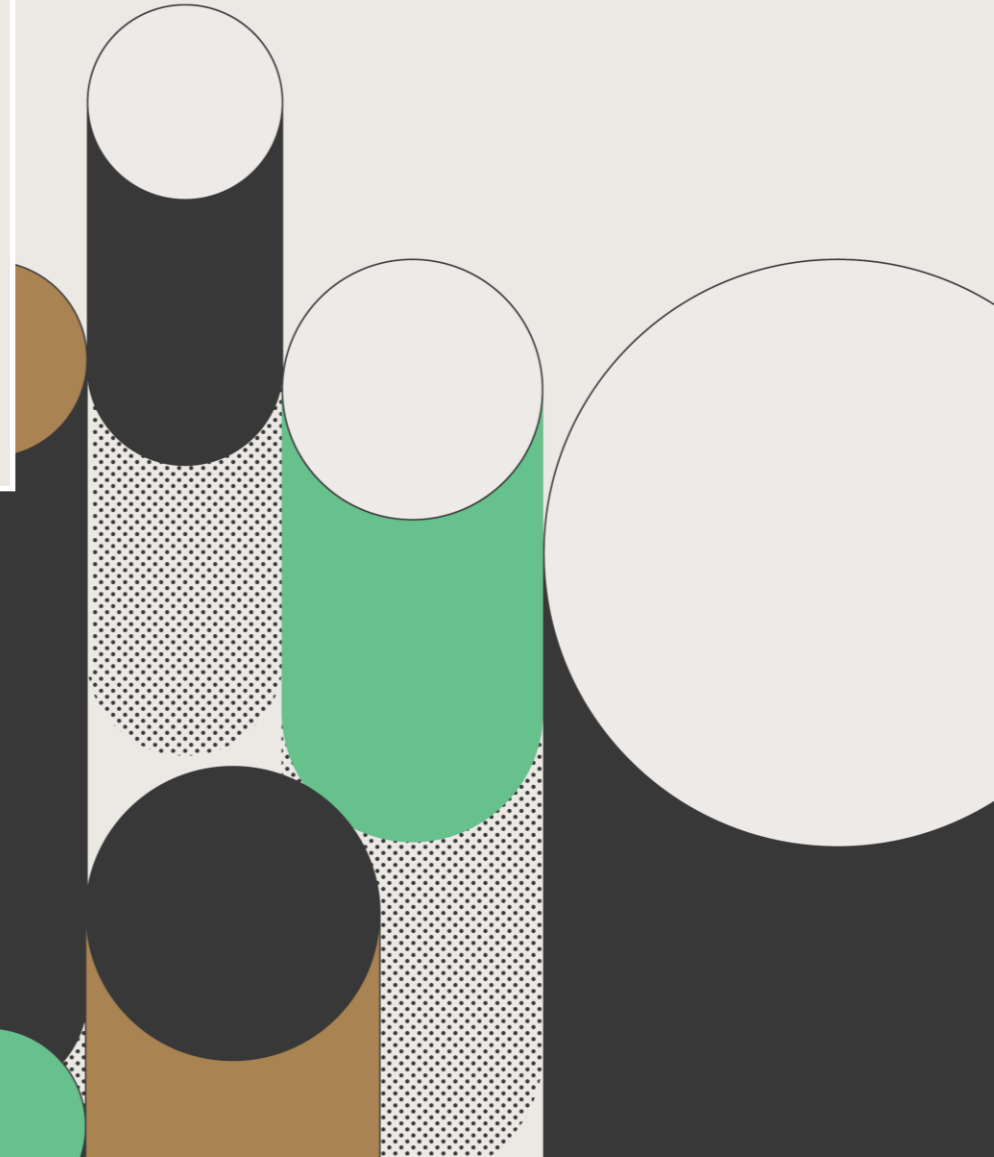
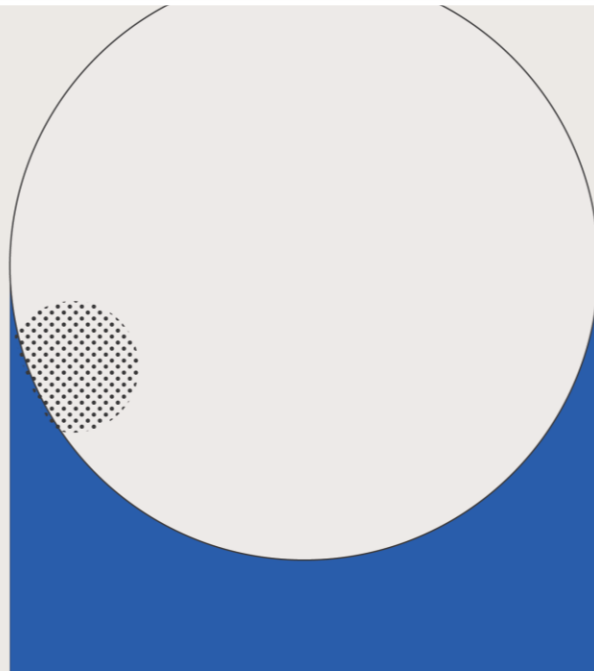
LIGHTENING ROUND!

Communicate insignificance → Translate Money to Time

Encourage efficiency & cost avoidance → Make it Personal

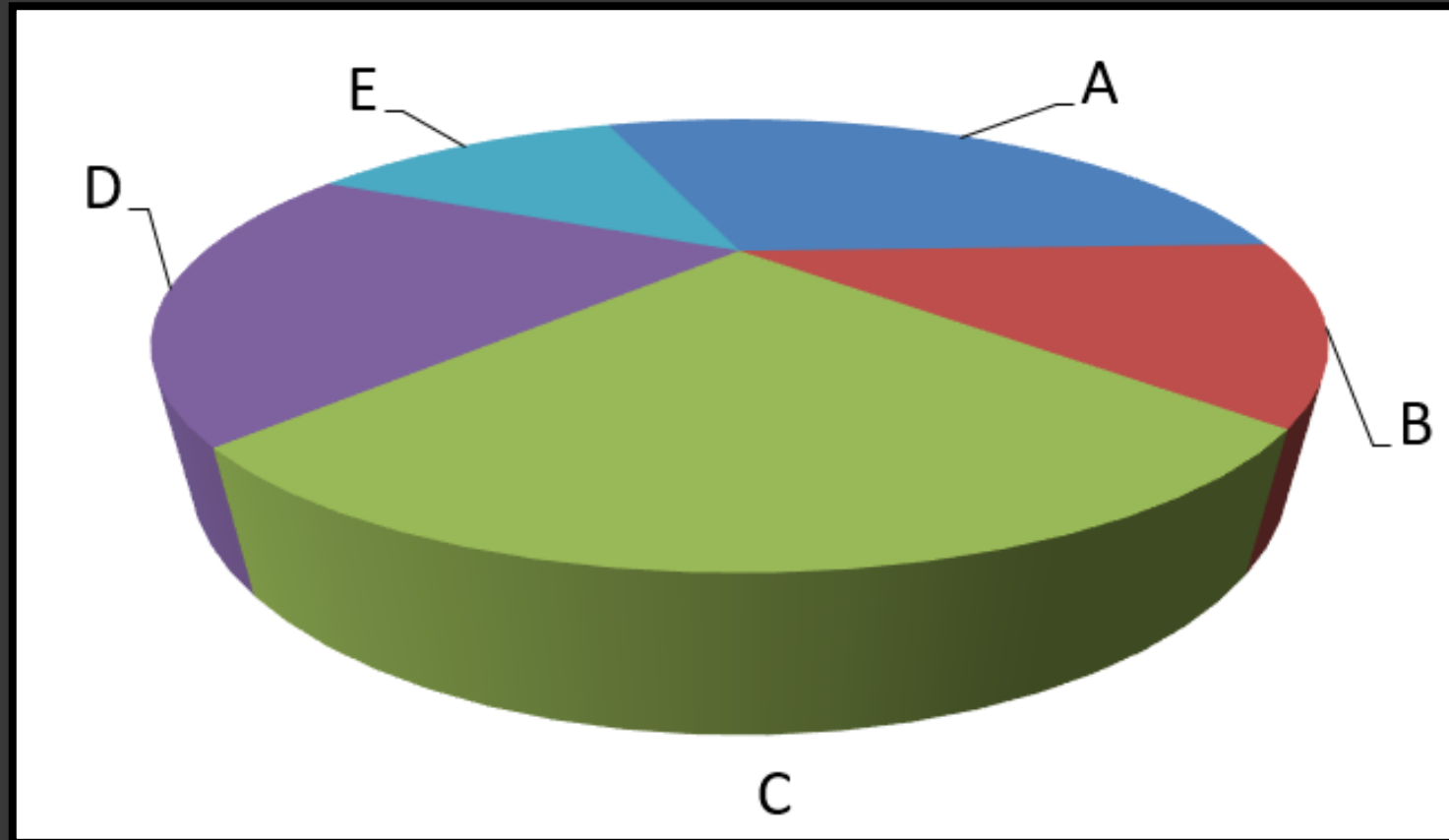
Describing the need for spending → Bring it down to human scale

THE ETHICS OF MAKING NUMBERS COUNT



Foremost, Avoid Misrepresentations

Which slice represents the largest quantity?



“A” is 20% larger than “C,” but “C” can appear larger. The perspective provided by the 3D graph can cause a misperception of the relative sizes of the slices.

Exhibit 12.3 – Which Straight Line is Longer?

A



B



Most people think “B” is longer, but they are actually the same length.

Imagine a large sick leave liability...

Finance officers wants people to appreciate the size of the liability...

Finance office compares it to number of additional teachers, police, etc. that could be hired with that money...

What's the problem?

Evaluating the ethics of using emotion...

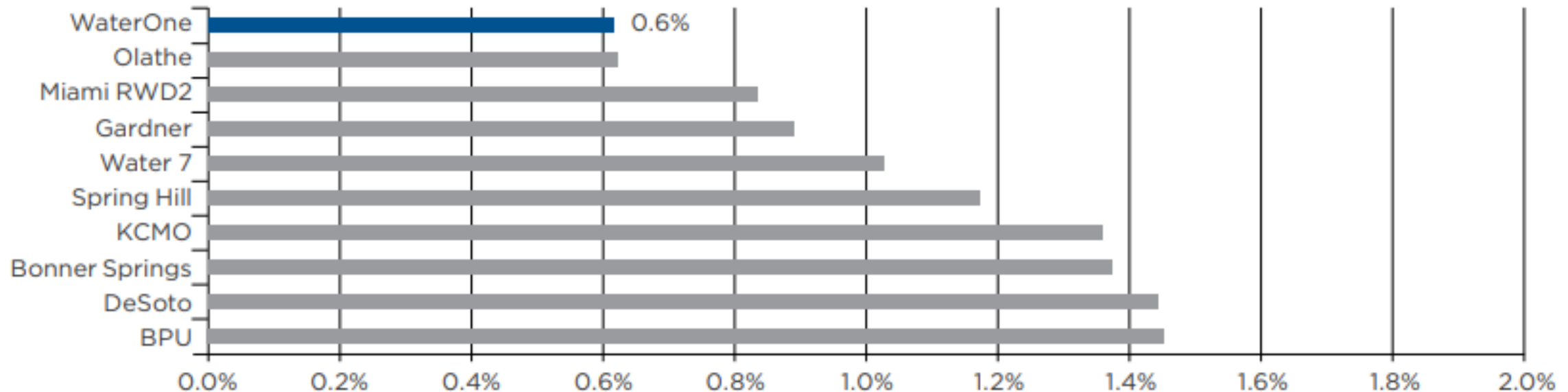
- *Does the communication make a useful contribution to the discussion about public finance?*
- *Does the communication help move the decision process forward?*
- *Is the communication consistent with a fair and accurate presentation of the underlying data? Is it consistent with the finance officer's own code of ethics?*

CASE OF WATER AFFORDABILITY

Common to use a benchmark percentage for the average bill as a percent of median household income

WaterOne 2021 Budget | Revenue & Rates

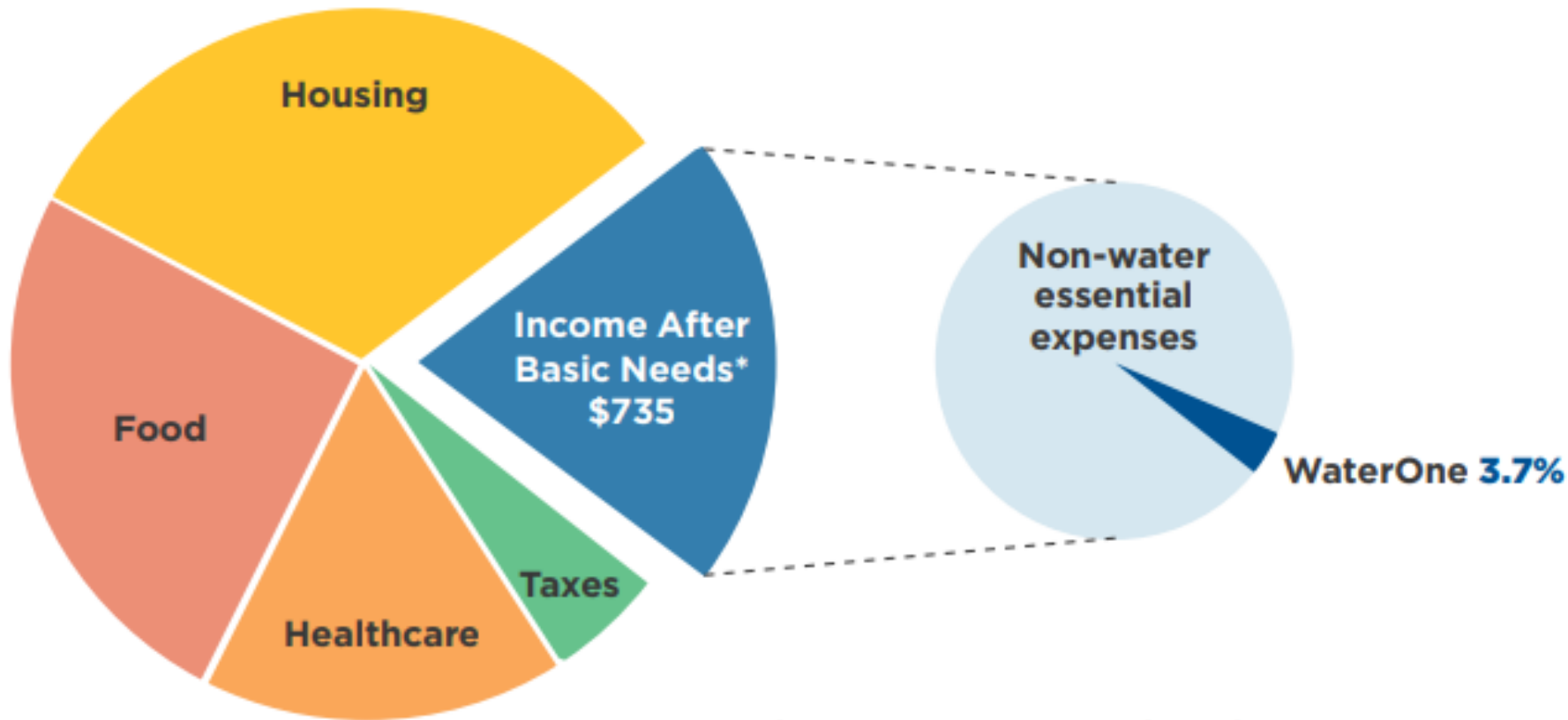
Local Utility Comparison: Typical Monthly Amount as a % of Median Household Income



HERE IS A DIFFERENT PERSPECTIVE...

Focus on the individual low income ratepayer may lead to a new conclusion

Household Affordability: *Low Usage Monthly Amount as a % of 20th Percentile Income After Basic Needs*



Total Income \$3,515

**Please note costs related to transportation, childcare, energy, and other household needs are not included in Basic Needs calculation.*

Take the Fiscal Fluency Challenge!

gfoa.org/fiscalfluency

Connect with me on LinkedIn

Shayne Kavanagh

GFOA

