

FINANCIAL FOUNDATIONS FOR THRIVING COMMUNITIES

Beyond the Bottom Line



MAINTAINING A STRONG FINANCIAL FOUNDATION IS A PERENNIAL CONCERN

7 of 10

Top member concerns relate to it



PROGRESS HAS BEEN MADE

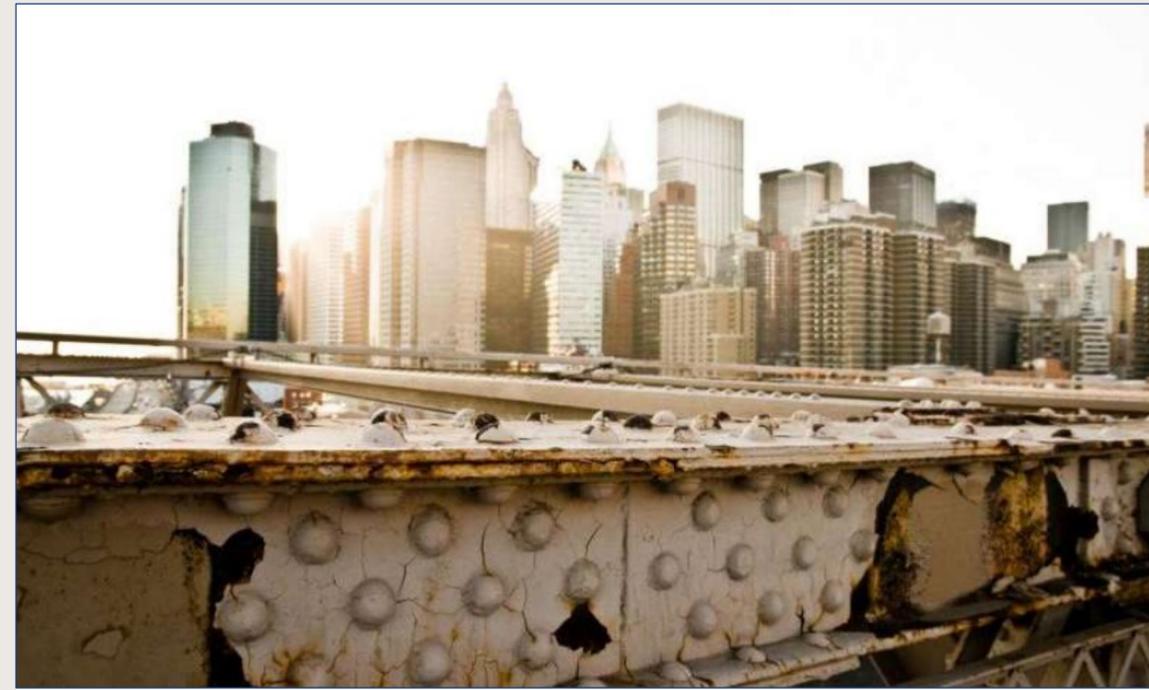
90% have a rainy day reserve

75% have a debt policy

55% forecast at least 3 to 5 years



THIS PROBLEM HASN'T BEEN SOLVED THOUGH



Aging Infrastructure

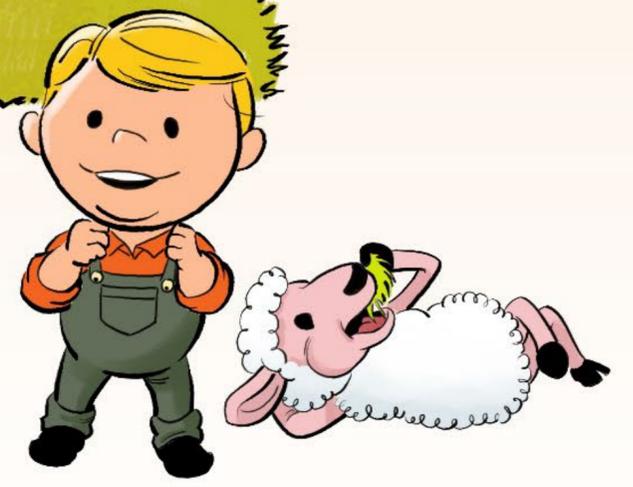
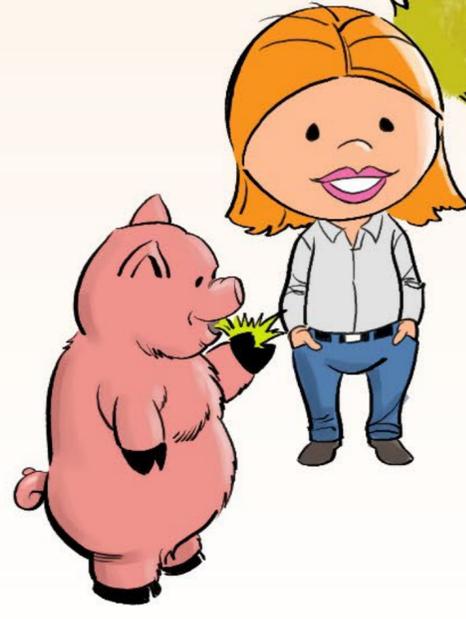
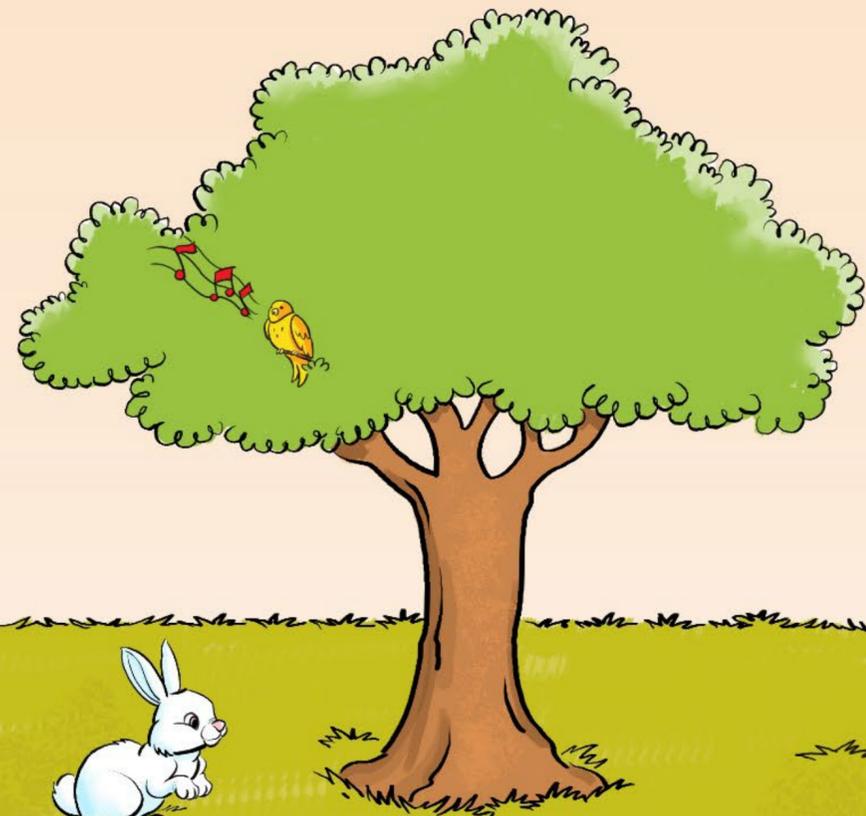
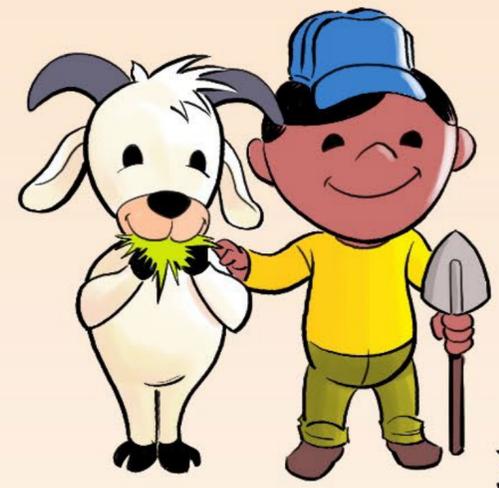


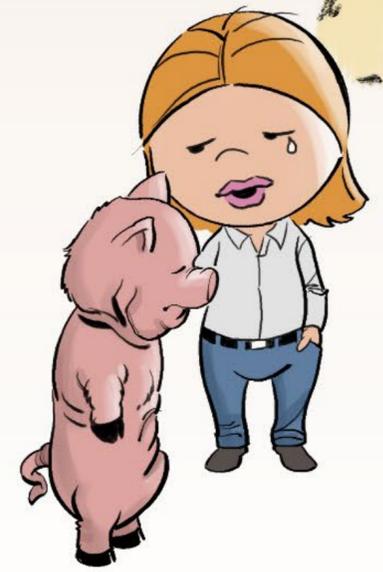
Pensions

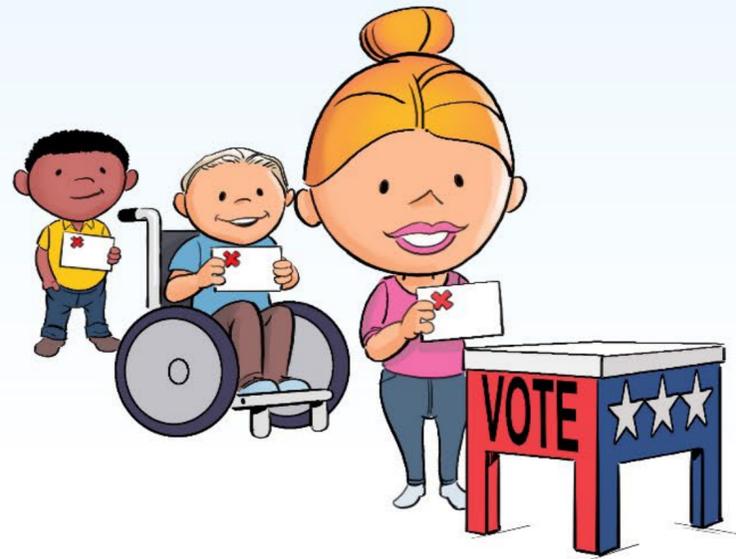


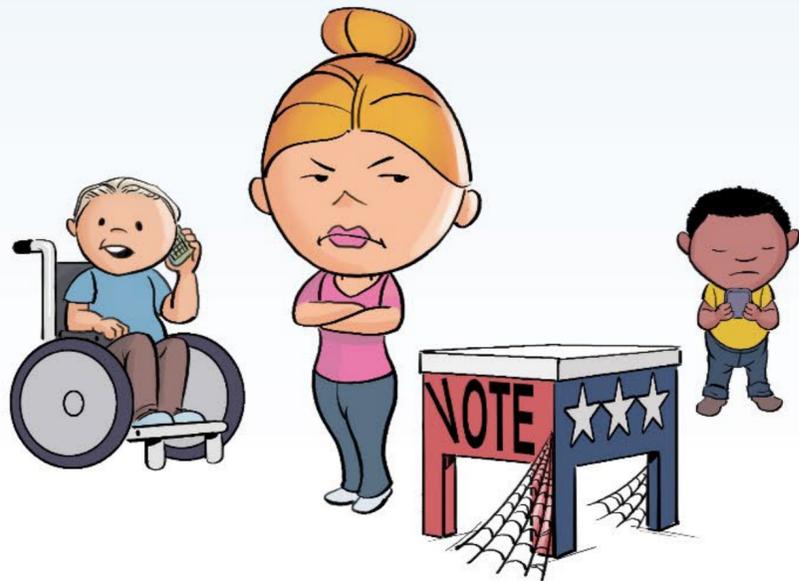
Intergovernmental Uncertainty











FINANCIAL FOUNDATIONS FRAMEWORK

Pillar 1
ESTABLISH LONG-TERM VISION

Give people a reason to cooperate.

Pillar 2
BUILD TRUST AND OPEN COMMUNICATION

Create the conditions for cooperation.

Pillar 3
USE COLLECTIVE DECISION MAKING

Develop forums for participation.

Pillar 4
CREATE CLEAR RULES

Reinforce constructive behavior.

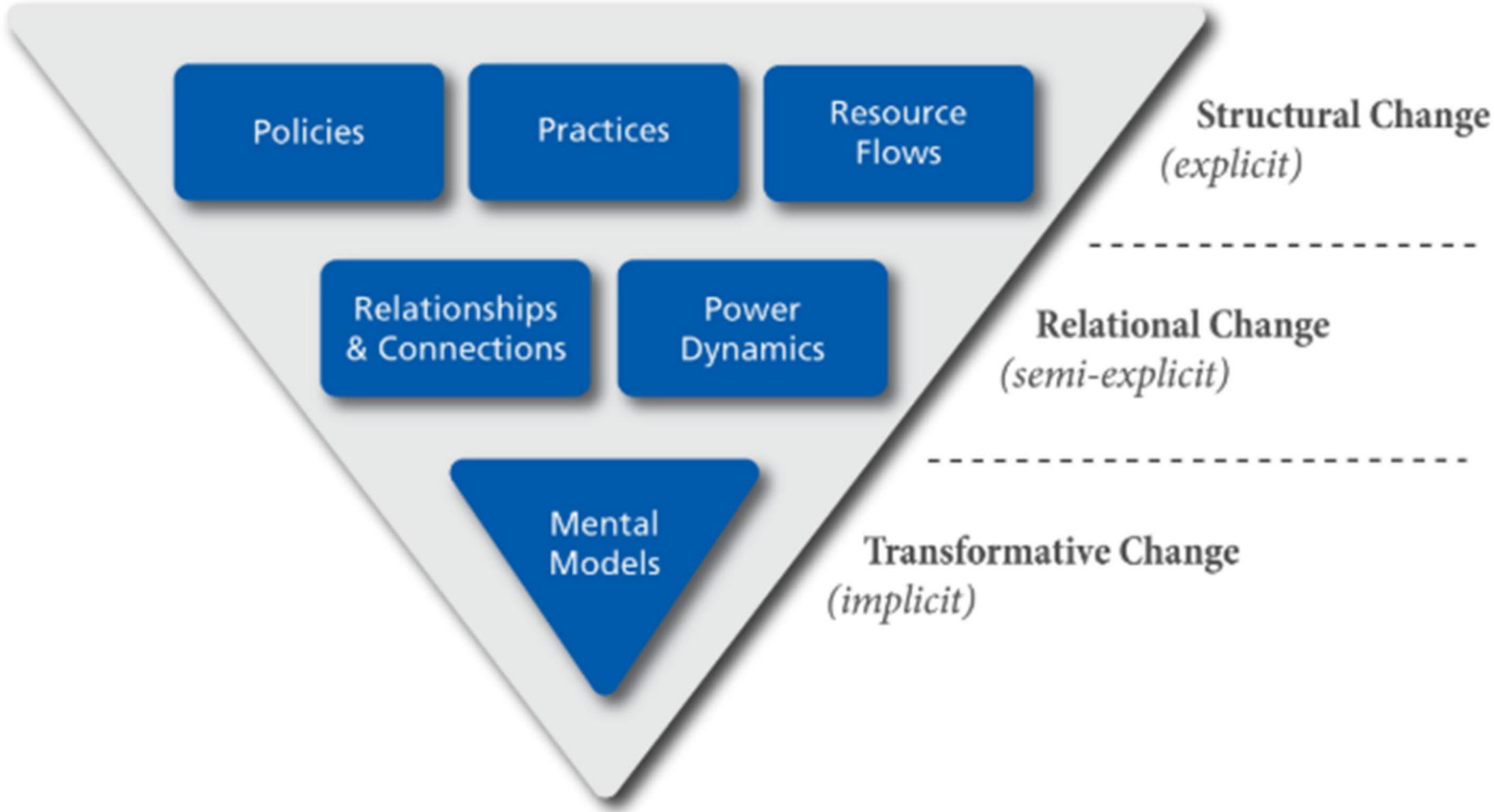
Pillar 5
TREAT EVERYONE FAIRLY

Promote and protect mutual trust and respect.



HOW FINANCIAL FOUNDATIONS ADDRESSES 3 LEVELS OF SYSTEMS CHANGE

Six Conditions of Systems Change



Financial Foundations Impact

Emphasize particularly important policies, practices, resource allocation practices practitioners should adopt

The five “pillars” financial foundations cover these topics comprehensively.

Financial Foundations is based on solving “the tragedy of the commons.” The commons is a powerful mental model for thinking about local government resources.



Pillar 1

**ESTABLISH
LONG-TERM
VISION**



*Give people
a reason to
cooperate.*

**ESTABLISH A
LONG-TERM VISION**



SAN BERNARDINO COUNTY



- Largest County in USA
- Very diverse geographies
- Diverse stakeholders



AN UNSUSTAINABLE PATH



In 2009, \$80M deficit rolled into next year (10% of total budget), even while salary and benefit increase approved.



COUNTY VISION & STRATEGIC PLAN

- Where do the County and the community want be in 20 years?
 - Highlights everyone's shared interest
 - Defines why County should be financially sustainable
- Led to shared vision for water resources across agencies



Pillar 2

**BUILD TRUST
AND OPEN
COMMUNICATION**



*Create the
conditions for
cooperation.*

**BUILD TRUST AND OPEN
COMMUNICATION**



A COMMON LANGUAGE IS NEEDED TO REACH A COMMON SOLUTION

“Unfunded pension liability” becomes *bad debt*

“Employer contributions” becomes *interest*

Growing liabilities framed as *opportunity costs*



BUILDING TRUST WITH THE COUNTY SHERRIFF



WE'VE GOT YOUR BACK

- Departments pad budgets to manage risk.
- Across all departments this really adds up.
- So, provide support for the unexpected.



Pillar 3

**USE
COLLECTIVE
DECISION
MAKING**

*Develop
forums for
participation.*

**USE COLLECTIVE
DECISION MAKING**



THE CITY OF HAMPTON

- Set a clear purpose
 - Make trade-offs between service levels
 - What are residents willing to pay for?
- Give a convincing reason to participate
 - Hampton was at a crossroads. Does the community:
 - Invest?
 - Preserve?
 - Divest?



THE CITY OF HAMPTON

- Provide the medium
 - Provide basic facts about taxes
 - Make the experience interesting
- Require trade-offs
 - Least successful meetings are...
 - ...where it is public vs. officials



Pillar 4
**CREATE
CLEAR
RULES**



*Reinforce
constructive
behavior.*

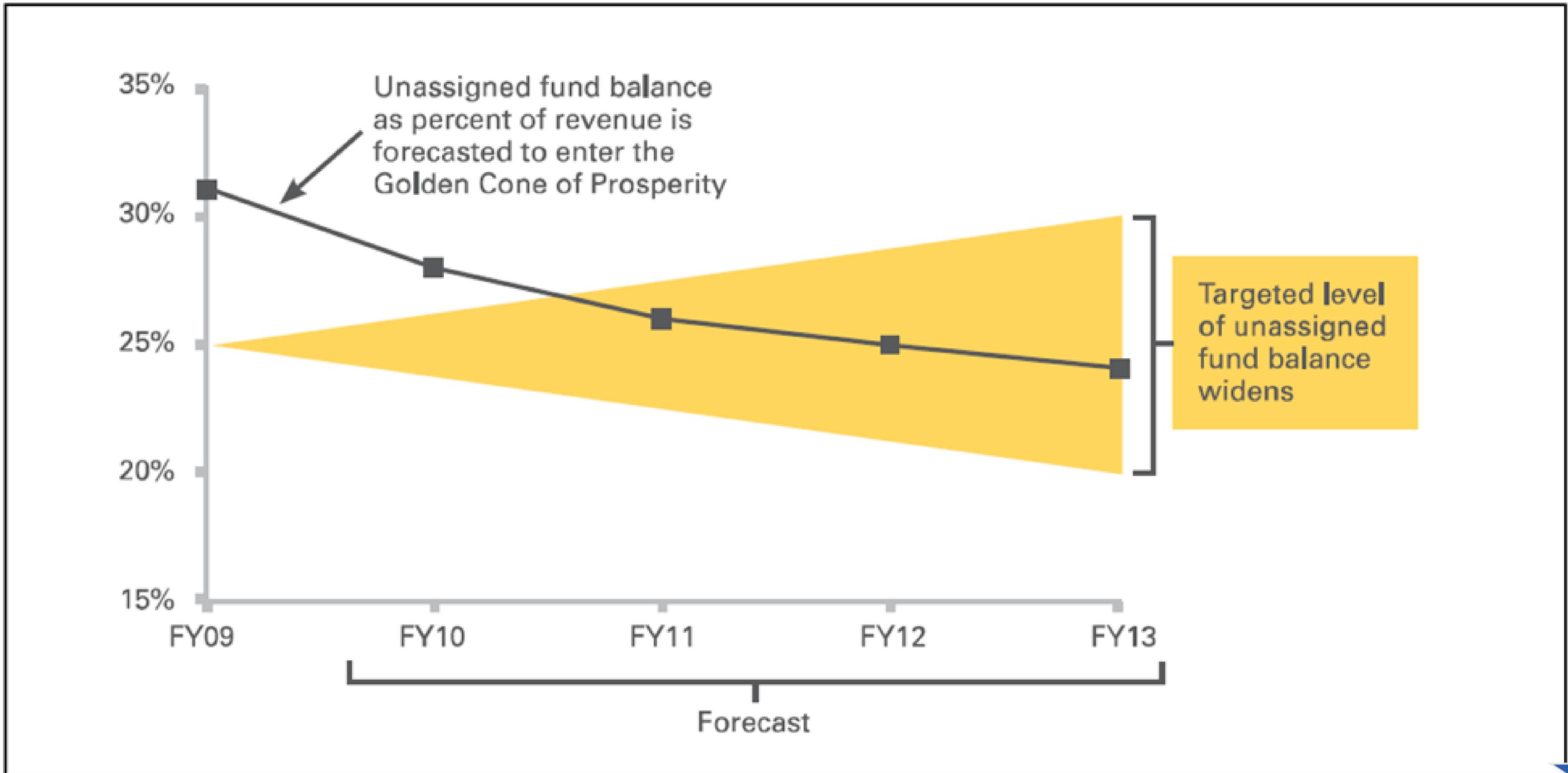
**CREATE
CLEAR RULES**



Monitoring: City of Tempe Case Study



THE GOLDEN CONE OF PROSPERITY



POWER OF THE PURSE STRINGS

- Can budget authority be used to reward those who cooperate?
- Set expectations for what it means to cooperate.



LOOK FOR LIGHTER TOUCH PENALTIES

Minneapolis



REMOVE BARRIERS TO DOING THE RIGHT THING

- Use-it-or-lose-it budgeting encourages unnecessary spending.
- So, provide a constructive alternative.



Pillar 5
**TREAT
EVERYONE
FAIRLY**

*Promote and
protect mutual
trust and respect.*

TREAT EVERYONE FAIRLY

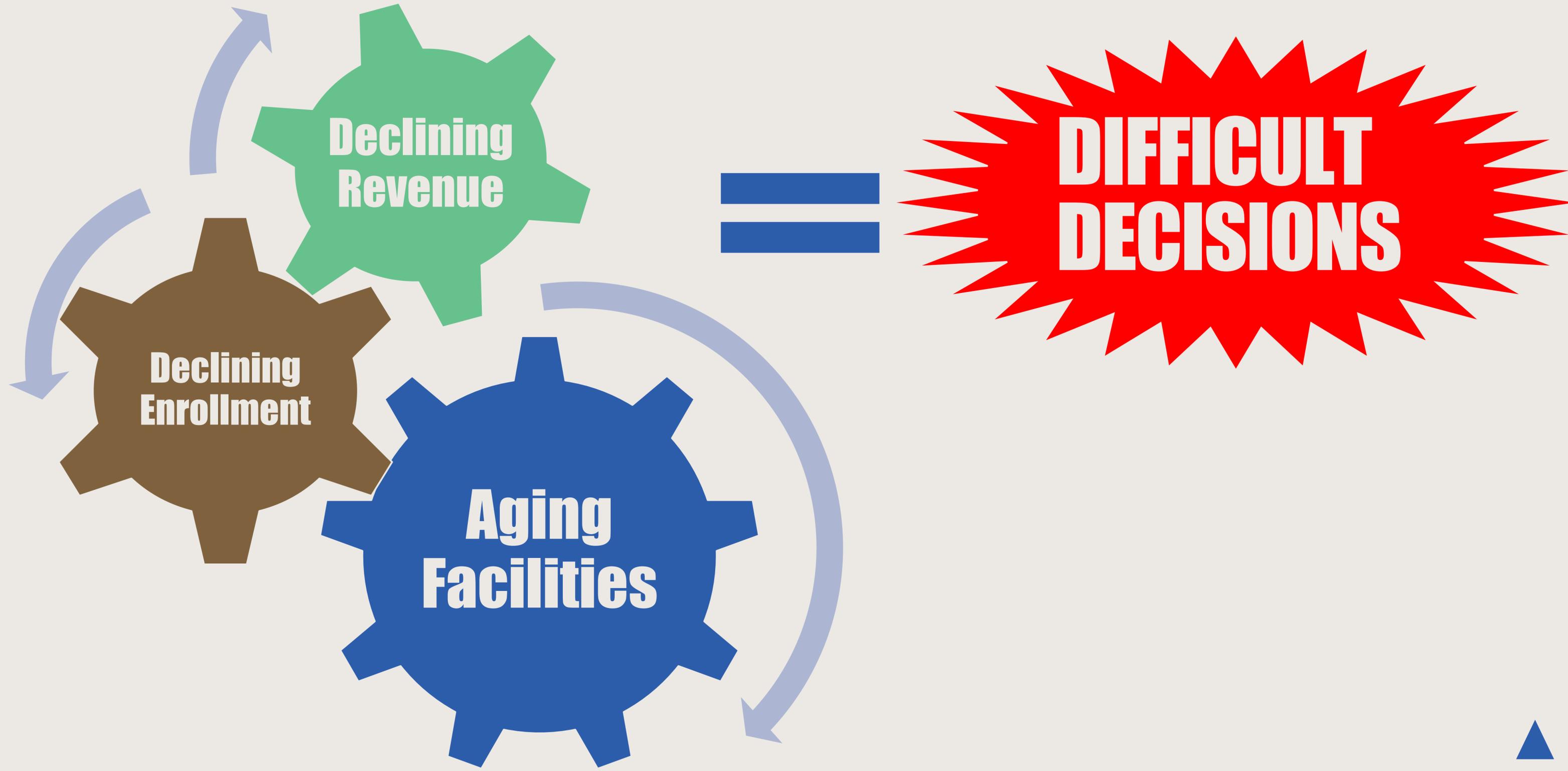


PROCEDURAL JUSTICE

- Decisions based on accurate information
- Transparent & consistent decision-making criteria applied equally
- Stakeholders given opportunity for input
- Mistakes recognized & corrected



TRAVERSE CITY AREA PUBLIC SCHOOLS



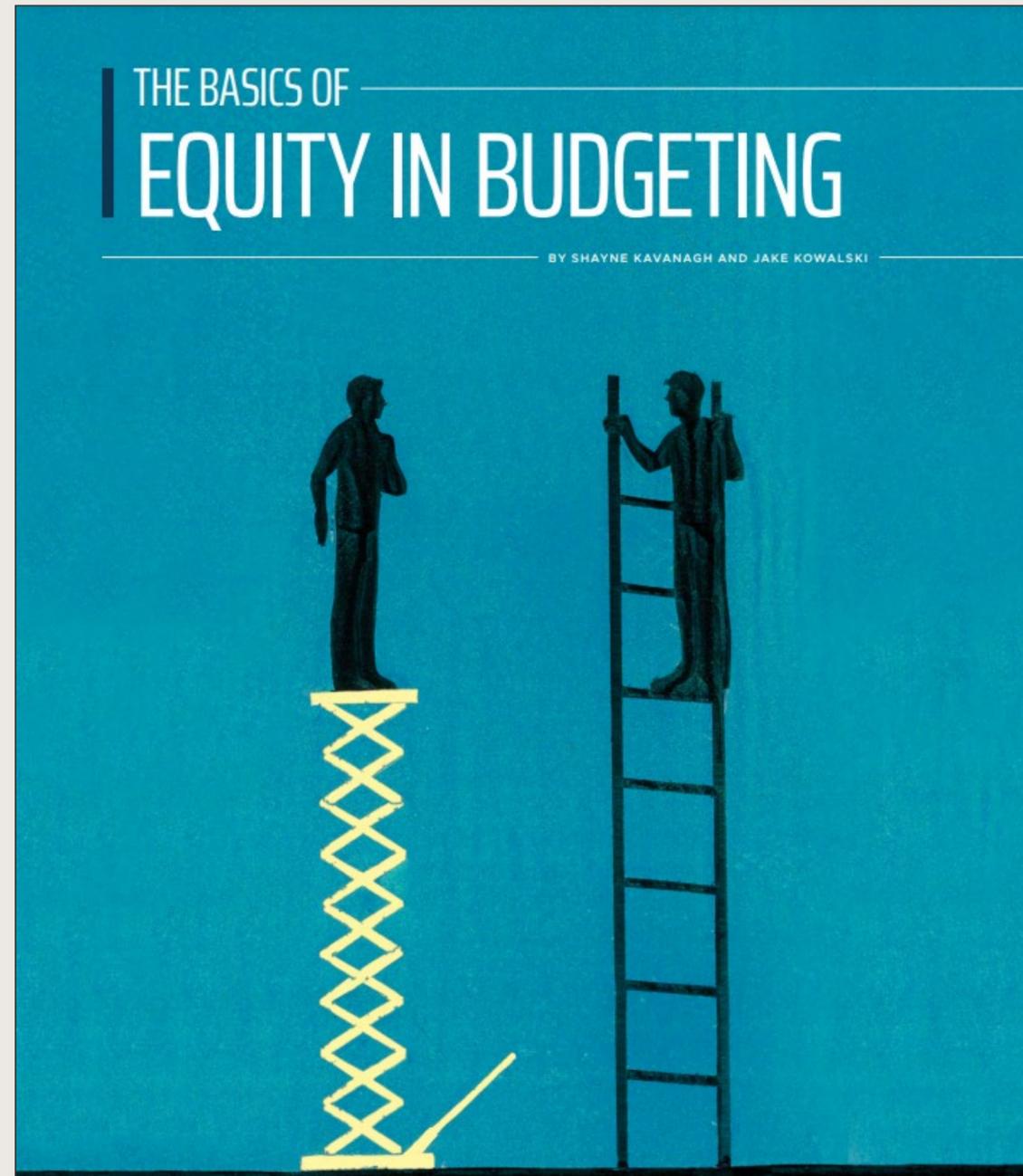
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Principles

- Education priorities should drive the budget.
- You can't be all things to all people.
- Get the most bang for our buck.



DISTRIBUTIVE JUSTICE



<https://www.gfoa.org/materials/gfr-equity-in-budgeting-2-21>



<https://www.gfoa.org/materials/whats-fair-1>



WHAT'S NEXT FOR GFOA?

WANT TO LEARN & ENGAGE MORE?

- Rethinking Revenue:
<https://www.gfoa.org/rethinking-revenue>
- Rethinking Budgeting:
<https://www.gfoa.org/rethinking-budgeting>

- Rethinking Pilot and Incubator Projects
- Financial Policy Challenge
- Get Your Time Back Challenge
- Connect with me on LinkedIn to stay abreast of the latest research from GFOA