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
THE TRAGEDY OF THE COMMONS
**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.
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
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 SHERIFF
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.
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

Unassigned fund balance as percent of revenue is forecasted to enter the Golden Cone of Prosperity.

Targeted level of unassigned fund balance widens.
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.
TREAT EVERYONE FAIRLY

Promote and protect mutual trust and respect.
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

Declining Enrollment
Declining Revenue
Aging Facilities

DIFFICULT DECISIONS
3 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

THE BASICS OF EQUITY IN BUDGETING
BY SHAHRI EXCHANGE AND JAZZ EXCHANGE

WHAT’S FAIR? EXPLORING THE BEHAVIORAL SCIENCE OF JUSTICE AND FAIRNESS
PART 1: The Three Forms of Fairness

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

https://www.gfoa.org/materials/whats-fair-1
WHAT'S NEXT FOR GFOA?

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

WANT TO LEARN MORE & ENGAGE?

• Rethinking Pilot and Incubator Projects
• Get Your Time Back Challenge
• Financial Policy Challenge

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