Building a Financially Resilient Government through Long-Term Financial Planning

Based on GFOA White Paper
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Available at www.gfoa.org/building-financially-resilient-government-through-long-term-financial-planning

Maryland Municipal League
Fall Legislative Conference
Annapolis, MD September 12, 2014
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September 12, 2014
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- Look to the future by learning from the past.
- You can’t predict the future, but you can hear its footsteps approaching.
- Change is Inevitable.
- Preparing for, rather than Reacting to Change.
- The Concept of “Sustainability”.
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- The concept of Financial Sustainability includes building a sustainable and diversified base of revenues to support operating costs.
- Also steering one time revenues away from use for recurring costs and taking into account long term maintenance and operating costs when planning capital projects.
- The recent economic recession has taught us that sustainability while important, is not enough.
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A Sustainable system is balanced, but an external shock can unbalance it and perhaps even cause it to collapse.

Serious Challenges to Plan for:

- Economic Adjustments & Downturns
- Natural Disasters
- Policy Changes by Other Levels of Government
- Changing Community Demographics
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Beyond Financial Sustainability to Resiliency

Organizations should seek to go beyond being sustainable to one that is Adaptable and Regenerative -

In a word: “Resilient”
Beyond Financial Sustainability to Resiliency:

A sustainable system is balanced, but potentially brittle. A resilient system not only survives shock, it thrives even under conditions of adversity.
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Eight Characteristics of a Resilient Organization:

- Diversity
- Redundancy
- Decentralization
- Transparency
- Collaboration
- Failing Gracefully
- Flexibility
- Foresight
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Diversity: Avoiding a single point of failure or reliance on a single solution.

- Keep a multi-faceted perspective on financial health
- Maintain a diversity of funds to reduce reliance on the General Fund
- Enlarge the base of supportive constituents
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Redundancy: Avoid having only one path of escape or rescue.

- Maintain a reserve policy to prevent use for recurring expenditures and specify the purpose of reserves
- Institutionalize financial planning through governance practices like financial policies and citizen engagement
- Pursue multiple strategies for long-term financial health
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Decentralization: Centralized systems look strong, but failure is catastrophic.

- Make managers manage their cost and revenue structures
- Engage departments in identifying issues, analyzing them and developing strategies
  - Engage departments in financial modeling and forecasting
  - Develop an organization-wide strategic framework that departments can innovate within
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Transparency: Make it easier to figure out where a problem may lie. Share plans & listen to when people point out flaws.

- Promote transparency in key areas like goals and objectives, forecast assumptions and reserve standards
- Use full cost (direct and indirect) accounting for programs
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Collaboration: Working together to become stronger.

- Build elected officials’ service priorities into the plan
- Provide elected officials a role in the planning process – a role they can thrive in
- Orient elected officials to the planning process
- Use key indicators to help keep elected officials abreast of financial condition
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Fail Gracefully: Failure happens. Make sure failure won’t make things worse.

- Recognize changing conditions to make a soft landing
- Promote credibility and open dialogue to learn and correct failure
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Flexibility: Be ready to change when plans aren’t working. Don’t expect stability.

- Regularly diagnose the strategic environment to know when flexibility may be required
- Create financial models to show the impact of changes
- Evolve and adapt the financial planning process itself
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Foresight: Think and prepare.

- Develop effective forecasting techniques
- Build capacity among staff and elected officials for strategic diagnosis
- Compliment financial planning with other long-term plans
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Group Exercise:

At Each Table:

- Identify one recorder to take notes.
- Everyone list two characteristics that you think your municipality could most benefit from implementing.
- Identify the two receiving most votes at your table.
- Then at each table develop specific strategies that would help achieve a higher level of financial resiliency
- Each group should report out one of the strategies they developed