

Building a Financially Resilient Government through Long-Term Financial Planning

Based on GFOA White Paper

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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”

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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