

# 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



Pensions

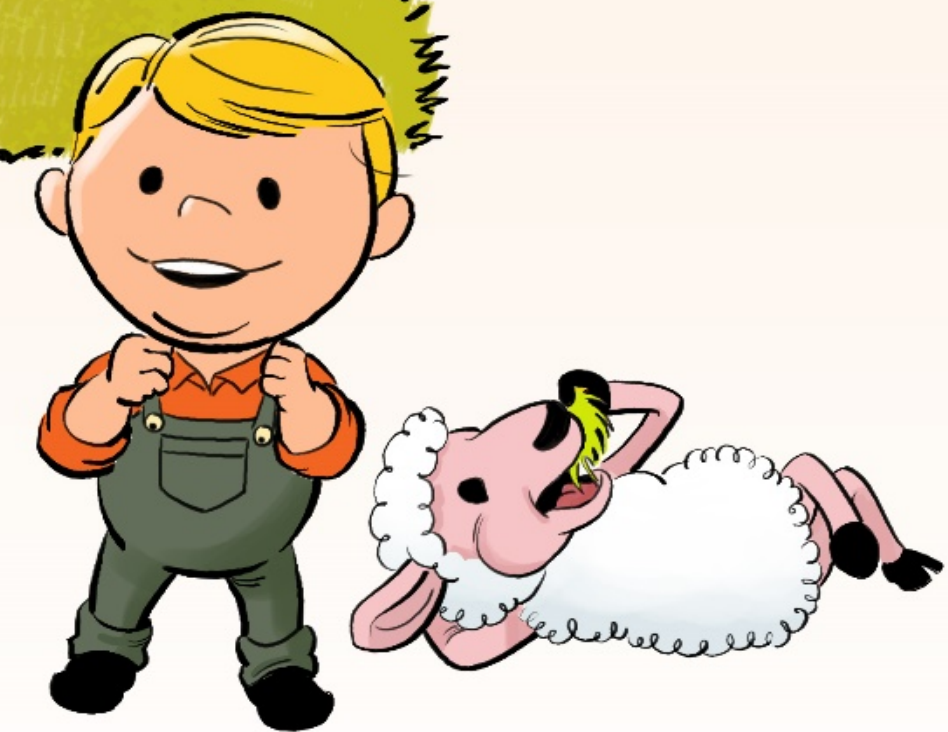
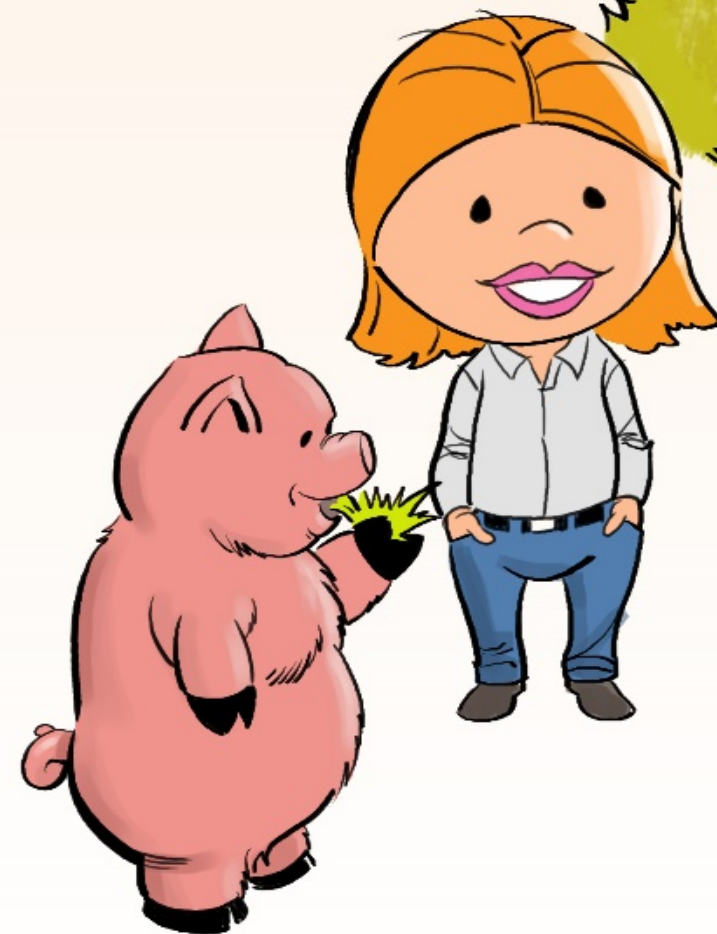
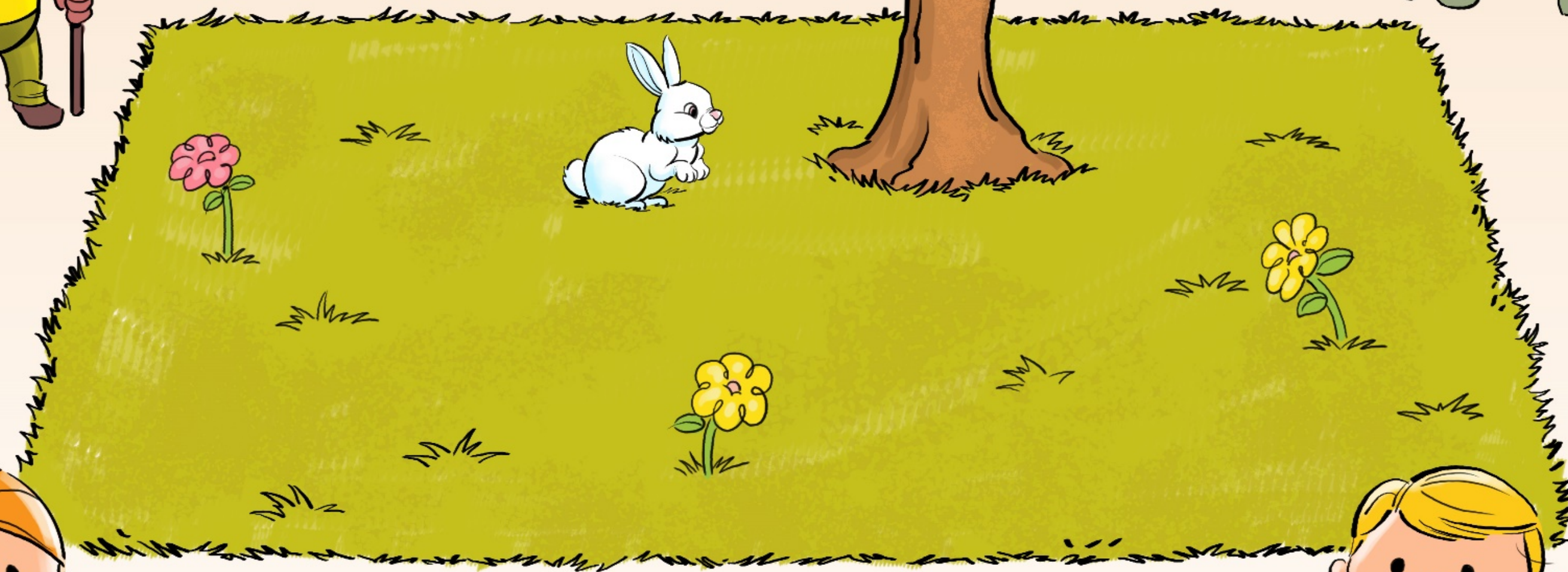
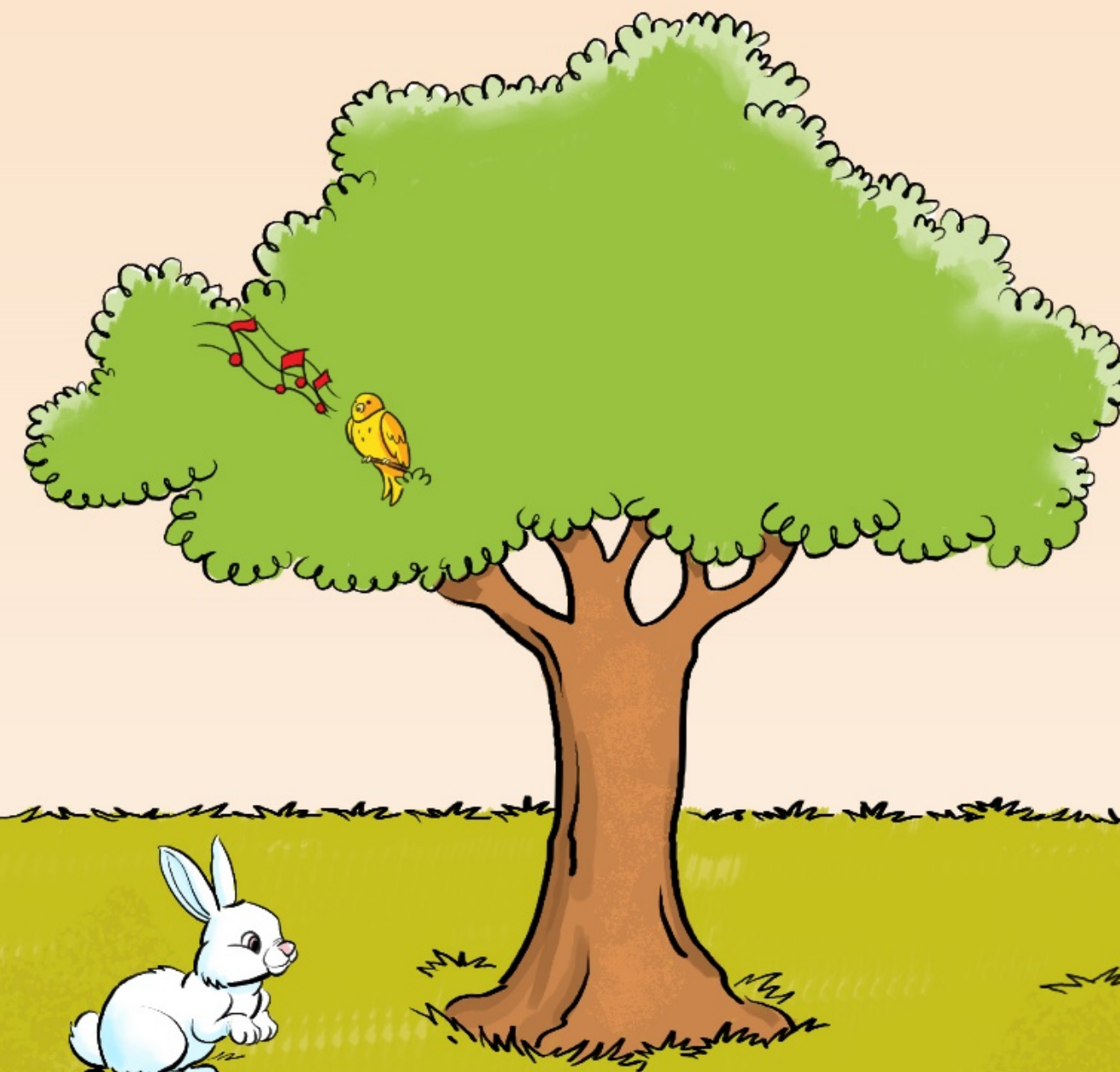


Aging Infrastructure



Intergovernmental Uncertainty

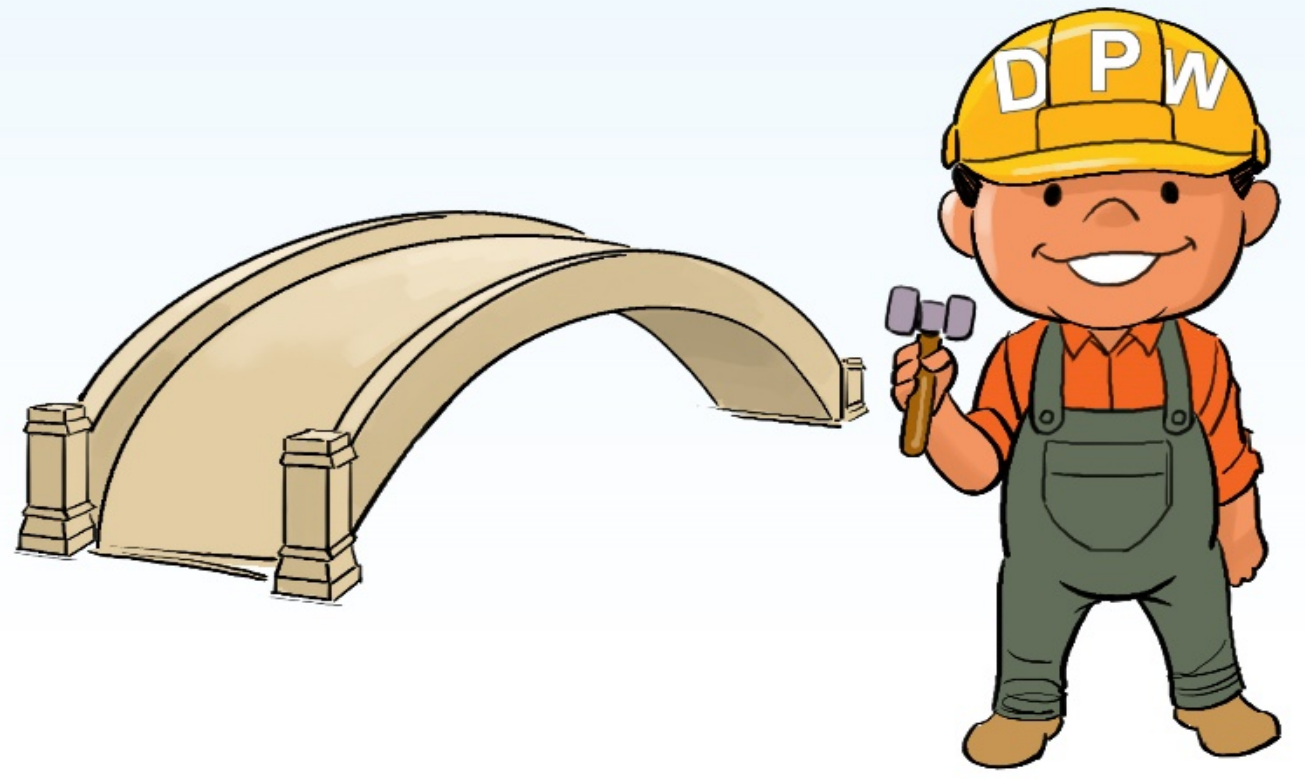
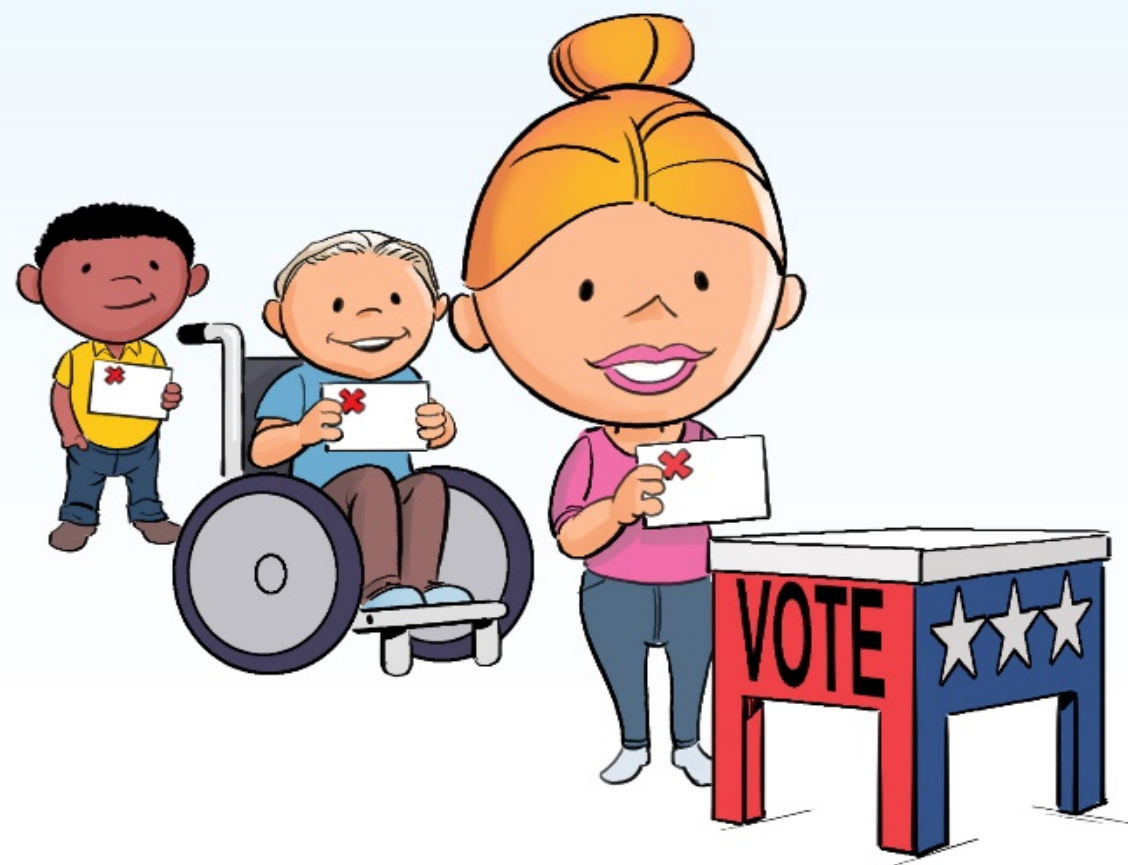




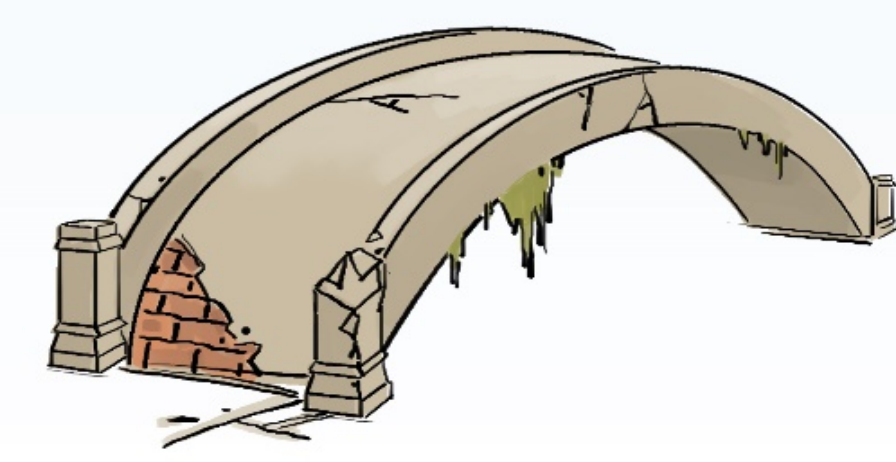
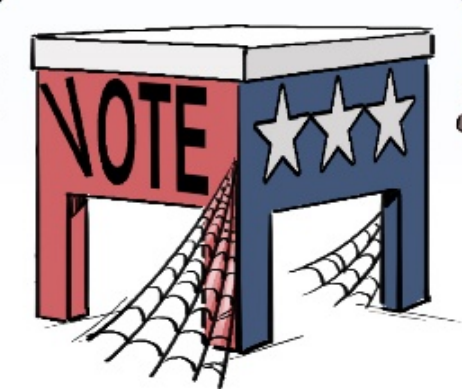
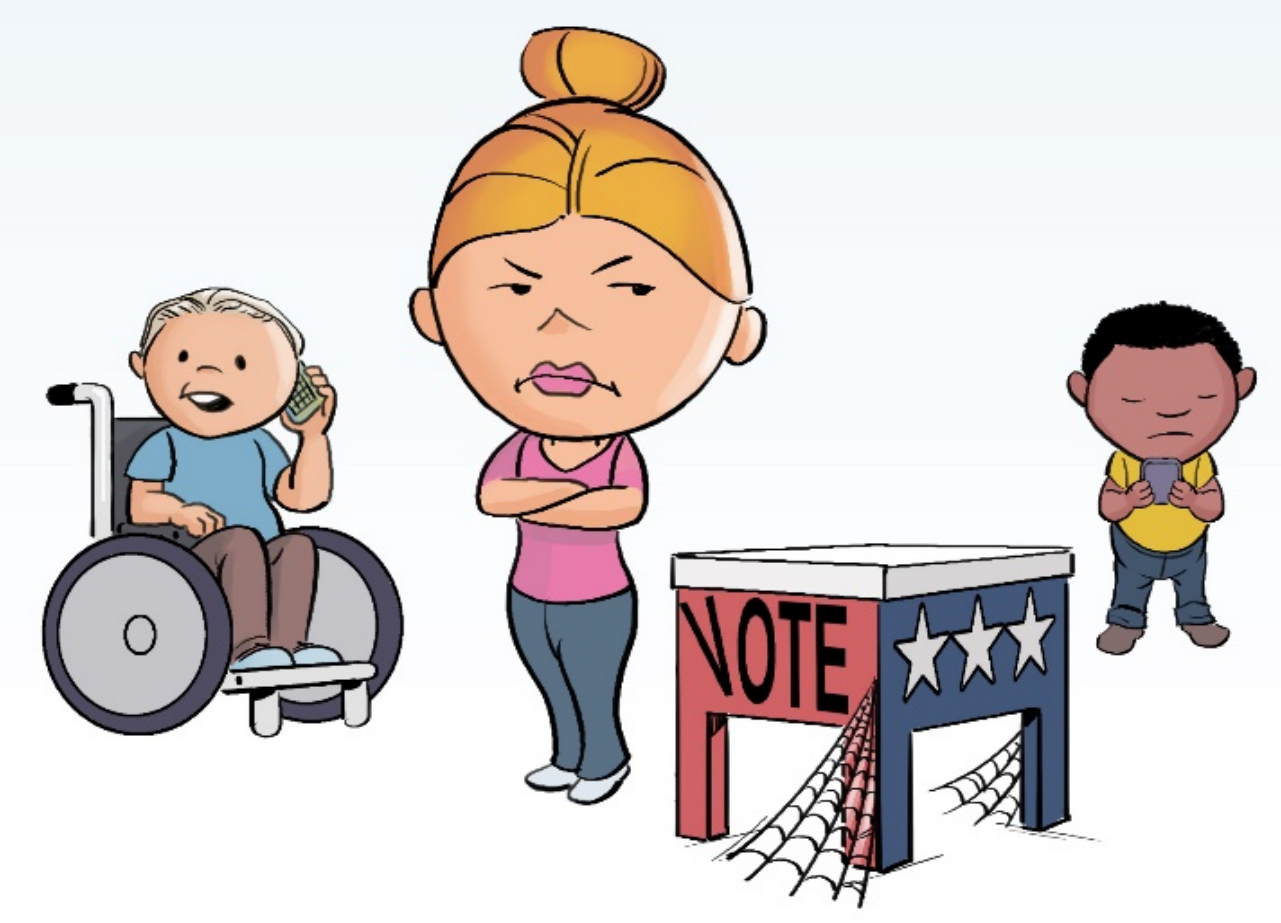














# FINANCIAL FOUNDATIONS FRAMEWORK

*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.*

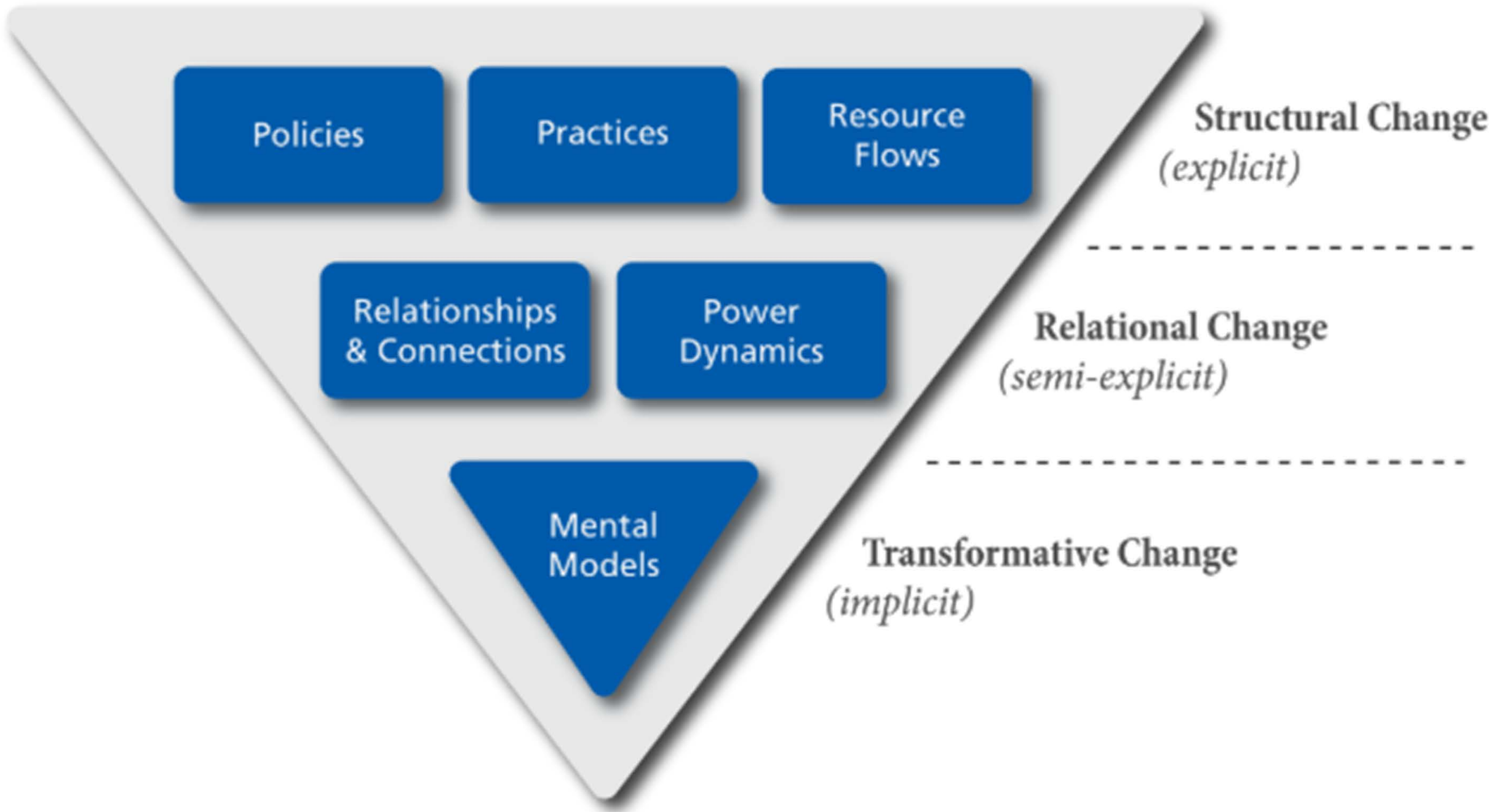
*Pillar 5*  
**TREAT  
EVERYONE  
FAIRLY**

*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

## Leadership Strategies

- Promote Collaboration
- Balance Long-Term Goals with Short-Term Needs



# 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

## Leadership Strategies

- Create Open Lines of Communication
- Cultivate Trustworthy Reputations



# 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

## Leadership Strategy

- Engage Key Stakeholders

## Institutional Design Principles

- Collective Choice Arrangements
- Networked Enterprises



# 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





# CREATE CLEAR RULES

*Pillar 4*  
**CREATE  
CLEAR  
RULES**

*Reinforce  
constructive  
behavior.*

Leadership Strategy

- Maintain Oversight

Institutional Design Principles

- Well-Defined Boundaries
- Monitoring
- Sanctions and Rewards

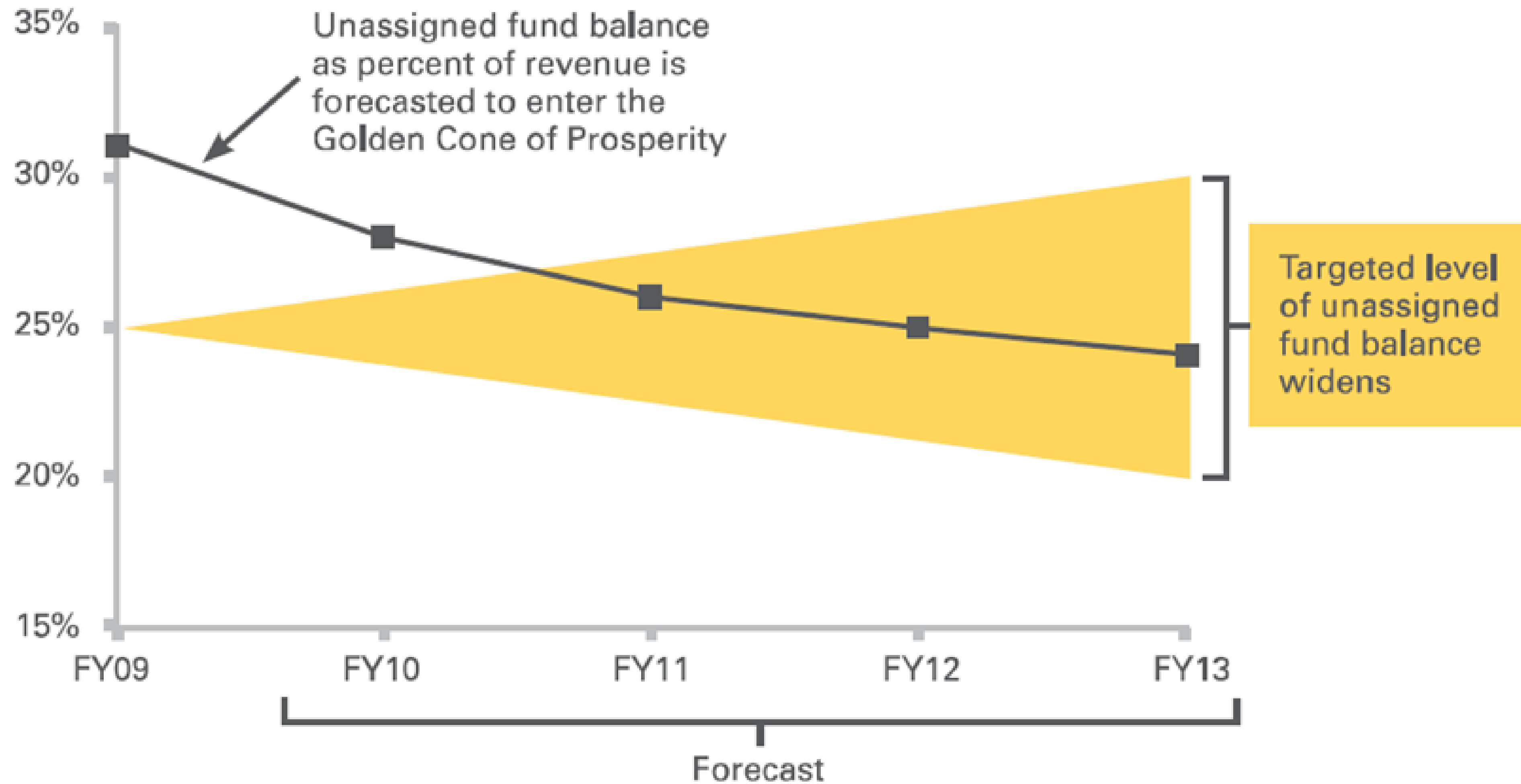


# Monitoring: City of Tempe Case Study





# 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.



# TREAT EVERYONE FAIRLY

## Institutional Design Principles

- Proportional Equivalence Between Benefits and Cost
- Conflict-Resolution Mechanisms
- Minimum Recognition of Rights

*Pillar 5*

**TREAT  
EVERYONE  
FAIRLY**

*Promote and  
protect mutual  
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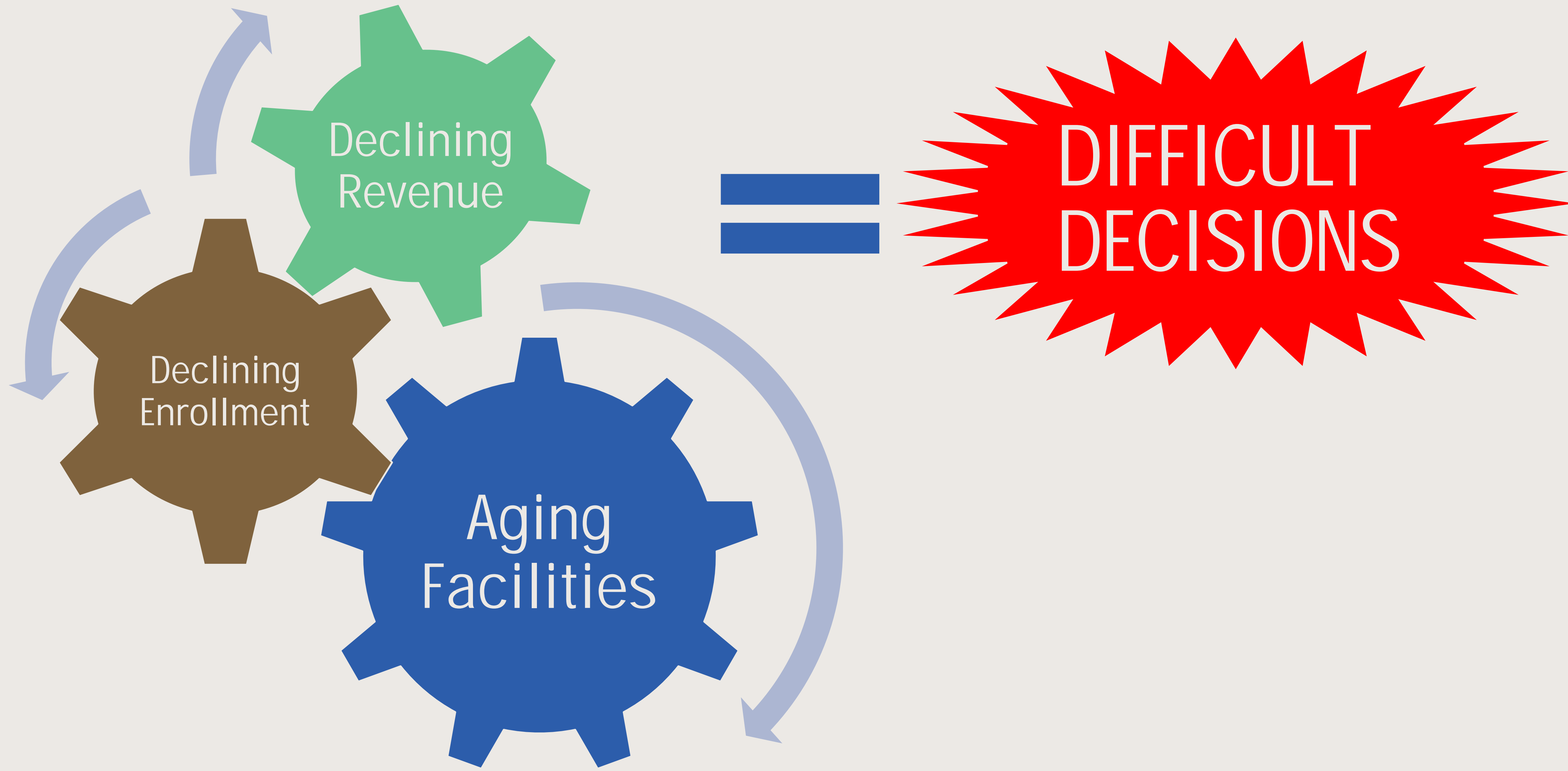
# PROCEDURAL JUSTICE

- 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





# 3

## *Principles*

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



# 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>
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- Rethinking Budgeting Webinar Series:
    - January 20: Defining the Problem
    - February 3: Using Rolling Strategic Planning
    - February 17: The Problem with Public Engagement
  - Pre-conference Session
  - Test Kitchen
  - Financial Policy Challenge
  - Get Your Time Back Challenge