



## RECOMMENDED PRACTICE

### **The Role of the Finance Officer in Economic Development (2006) (CEDCP)**

**Background.** A vibrant local economy is integral to the community's vitality and the financial health of the regional jurisdictions. A central component of fostering the local economy is economic development and redevelopment. Oftentimes economic development requires the financial participation of local governments. This participation can take the form of both traditional and non-traditional public sector financial tools. The local government financial officer should provide the financial expertise in the use and long-term impacts of these tools. The financial officer has the dual responsibilities of facilitating the ongoing economic vitality of the community, and guaranteeing fiduciary oversight of the entity's resources. Consequently, the finance officer must be established as a key participant in the jurisdiction's economic development program.

**Recommendation.** The Government Finance Officers Association (GFOA) recommends that financial officers participate in the economic development processes and provide professional information on the use and impacts of financing tools and incentives. This recommendation advises finance officers to:

Participate throughout the Development Process.

- Contributing to the development of the entity's vision and strategy
- Becoming a primary member of the development professional team
- Participating in the overall process of evaluating development proposals
- Participating in the negotiation process
- Participating in the development agreement compliance process

Facilitate the Overall Development Financial Framework.

- Assessing and communicating the capacity of various financial incentive tools
- Assessing and communicating the potential impacts of the use of these financial tools on overall resources and financial position
- Facilitating the management framework for the coordination of all financial analysis
- Participating in the establishment of policies on the use of financial incentive tools

Facilitate the Development of Financial Evaluation Tools.

- Identifying all permitted financial tools and their potential use
- Profiling each permitted financial tool as to risk and the options to mitigate such risks
- Developing analytical tools to evaluate the specific use of financial incentives for an individual development and their cumulative impact

### Analyze Specific Development Proposals.

- Obtaining and validating information provided by the developer and other parties to the process and assessing the developer's financial ability to perform under the agreement
- Facilitating compliance with public record laws while respecting outside parties' proprietary information
- Coordinating with other professional team members to determine the legal foundation and alternatives for requested financial incentives
- Assessing the reasonableness of the public revenues and costs, and the elements of the financial plan, any debt issuance program, ongoing financial operations, and incentive policy limits
- Determining the need for obtaining outside professional assistance in analyzing and making recommendations on development proposals
- Communicating to the professional development team and senior management the results of the analysis, the potential impacts on any contract negotiations, and the overall recommendations to the governing body

### Monitor and Evaluate Ongoing Project Compliance.

- Participating in the establishment of a system of project compliance monitoring
- Participating in the identification of development components that are integral to the success of the financing plan
- Providing periodic reports on the project's progress and conformance with contractual requirements and financial incentives
- Assisting in the management of any project variations from the development agreement

### Facilitate the Jurisdiction's Ongoing Development Program.

- Assisting in educational forums and public information efforts
- Identifying potential new incentives and evaluating their use within the development framework
- Providing long-range forecasts of the status and impacts of current financial commitments
- Providing forecasts of the available financial capacities of incentive tools within legal and policy limits

### **References.**

- Steven G. Koven and Thomas S. Lyons, *Economic Development: Strategies for State and Local Practice* (Washington, D.C.: International City/County Management Association, 2003)
- *Elected Official's Guide to Economic Development*, GFOA, 2005.

Approved by the GFOA's Executive Board on February 24, 2006.