

Long-Term Financial Planning

From an Elected Official's Viewpoint



Presented by:
The Government Finance Officers
Association

Introduction

- GFOA conducts research & consulting to learn more about financial sustainability
- We are working on a new elected officials' guide to financial planning
- GFOA worked with elected officials from across the U.S. to identify top 10 financial planning concepts

What is Financial Planning

- Using financial forecasting and analysis to identify potential future imbalances
- Develop strategies to achieve and maintain financial balance
- Financial planning is a *collaborative* process

Goals for Today

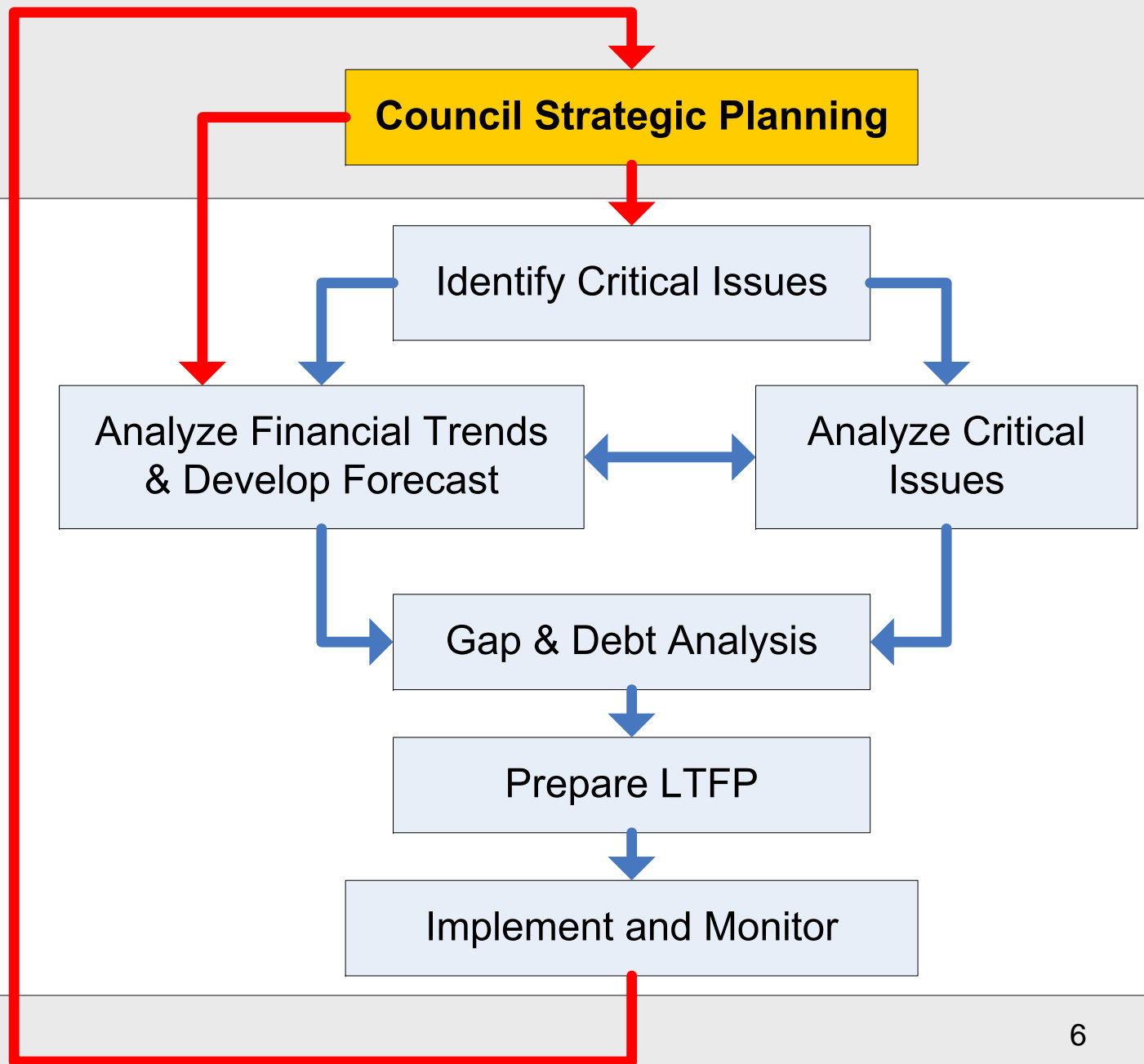
- Review top-ten concepts
- Describe how concepts can be put into practice
- Generate discussion and exchange of ideas



Concept #1

- ***Elected officials' main contribution to financial planning is a long-term vision and a set of priorities***
 - Is there a strategic plan?
 - Is the strategic plan a precursor to the budget?
 - Does the financial plan account for the costs of the strategic plan?

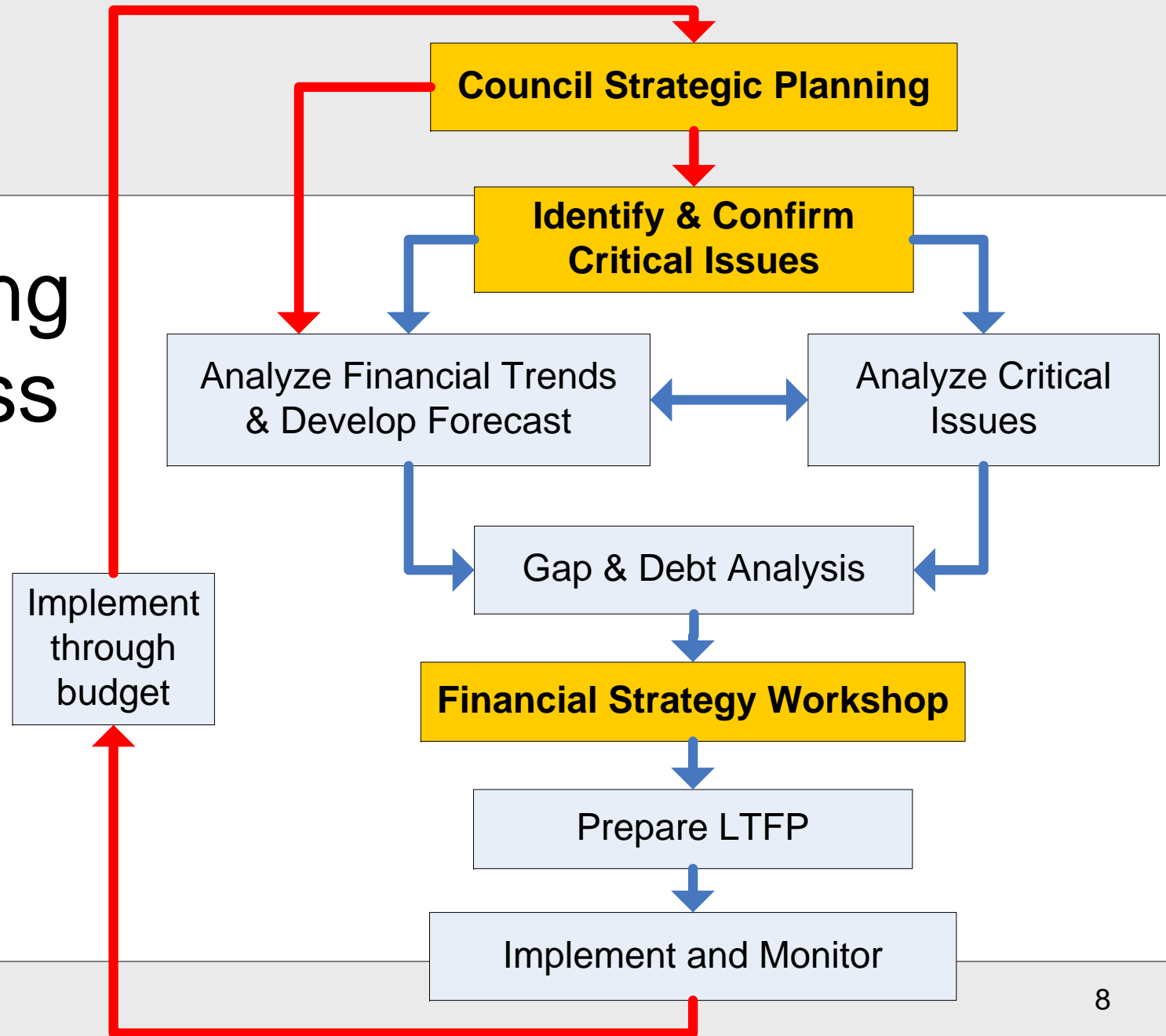
Planning Process



Concept #2

- ***Financial planning should be central to how the government is governed & managed – not just a one-time event or a staff tool***
 - Is our budget process preceded by financial planning?
 - How do elected officials provide input on the critical financial issues facing the government?

Planning Process



Concept #3

- **Elected officials must take leadership, maintain fiscal discipline & stick to the strategies, despite pressure to expand programs, reduce taxes, etc.**
 - Are financial forecasts updated regularly?
 - Do we have a “dashboard” or “scorecard” of key financial indicators?

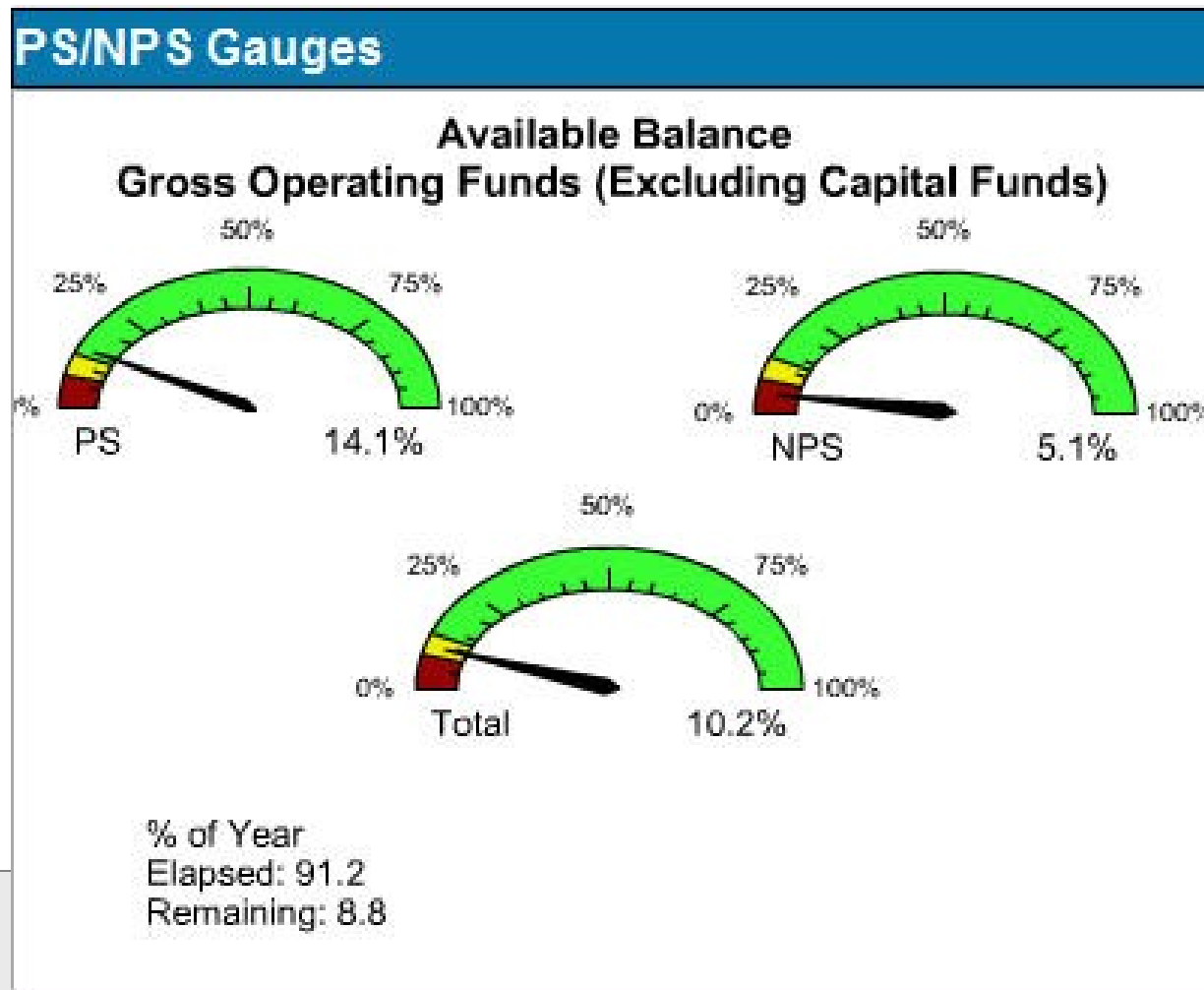
Financial Scorecards

Maricopa County, Arizona's Indicators

Indicator	2002	2003	2004	Progress
Tax Collection Rate	NA	96.47%	96.82%	☺
Expenditures Per Capita	NA	\$379.31	\$379.21	☺
Primary Tax Rate	\$1.18	\$1.21	\$1.21	☹
Moody's Bond Rating	Aa3	Aa3	NA	☹
Fitch Bond Rating	AA	AA+	NA	☺
% Increase in Operating Expenditures vs. Increase in Population and Inflation	NA	3.1%	3.1%	☹
Mean Family Income	\$67,137	\$67,624	NA	☺
Home Value to Income Ratio	2.23	2.32	NA	☹

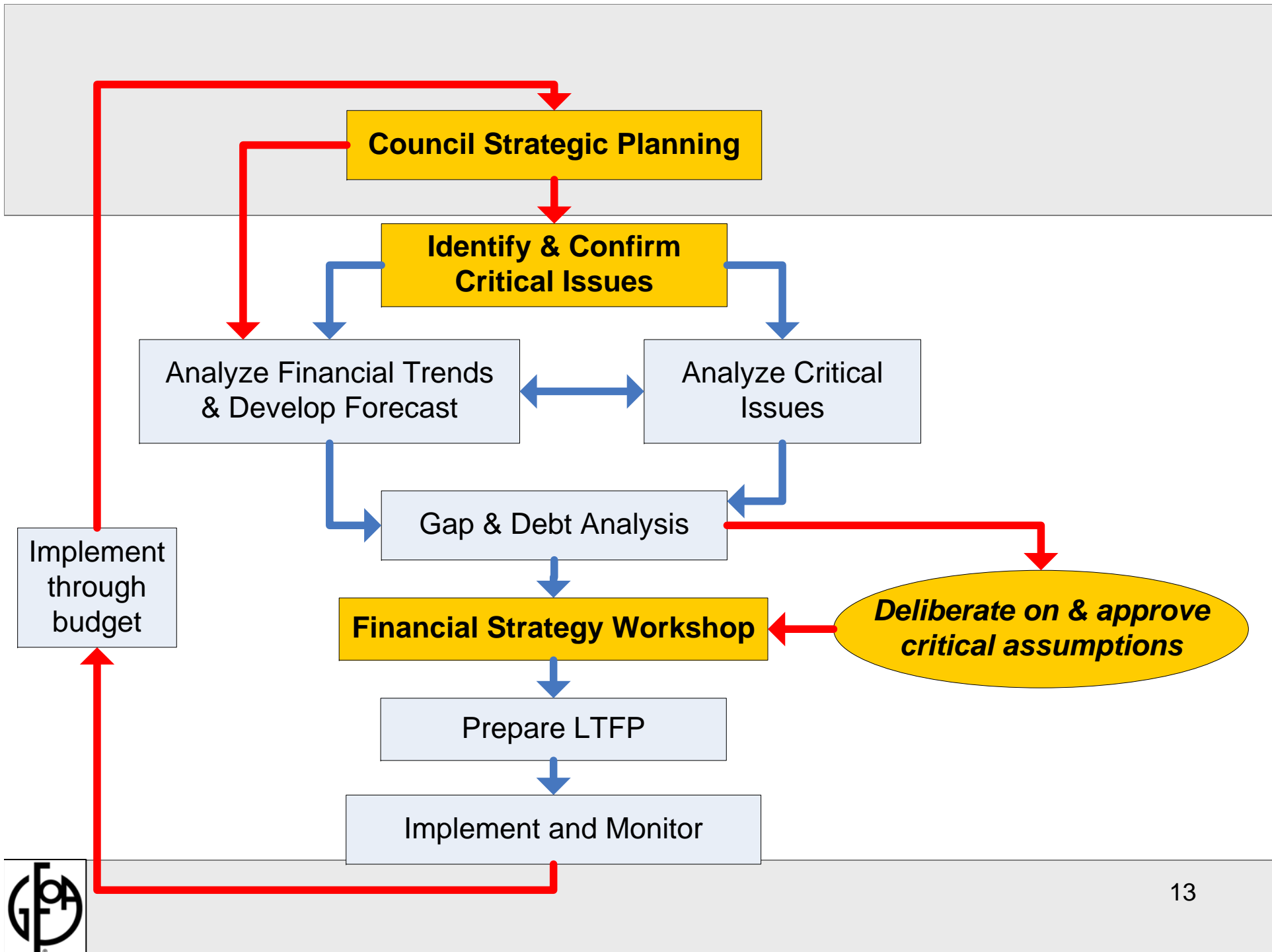
Financial Scorecards

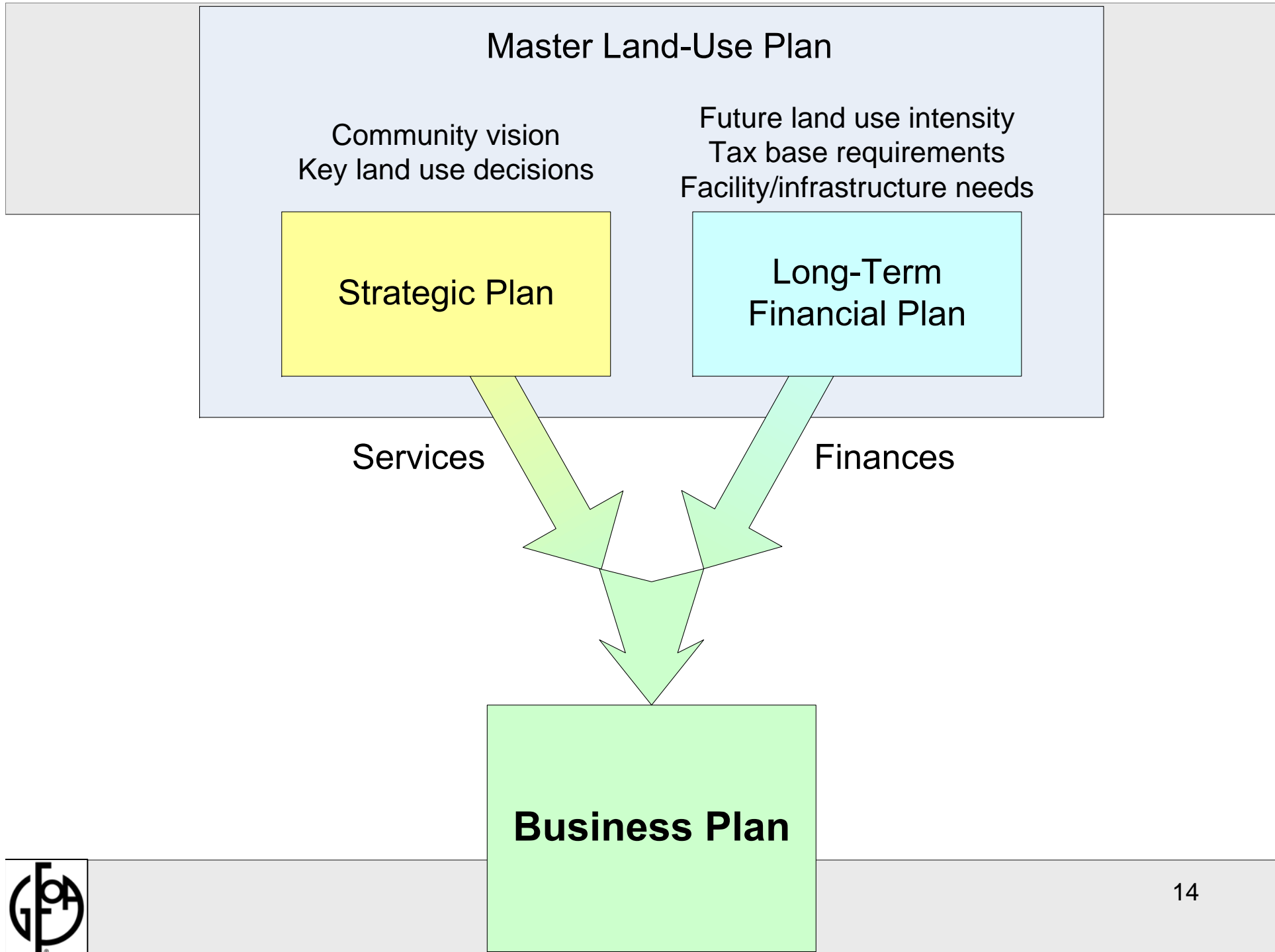
City of Washington, D.C. Dashboard Indicator



Concept #4

- **The link between the financial plan & the budget is crucial – demand that the budget reflect the strategies developed via financial planning**
 - Are critical forecast assumptions transparent?
 - Are these assumptions transferred to the budget process?
 - Do we understand the costs of our strategic service initiatives over a multi-year period and are those costs reflected in the budget?





Concept #5

- **Elected officials must be able to step back & adopt a strategic mindset**
 - How are elected officials involved in approving financial policies?
 - How are elected officials kept apprised of compliance with the financial policies?
 - Does our financial plan focus on truly “strategic” issues or does it really address more routine, operational issues?

Concept #6

- **Council should require regular updates on the big picture financial outlook**
 - Does staff regularly update the long-term forecast (e.g. quarterly)?
 - Does staff regularly update the scorecard/dashboard of key indicators?
 - Does staff provide regular public and private updates of progress against the plan?

Coral Springs, Florida, Financial & Economic Development Key Performance Indicators

Financial Health & Economic Development	Trend	FYs 2003/04 2-Yr Actual	FYs 2005/06 2-Yr Goal	FY 2005 Year End	FY 2006 1st Qtr	FY 2006 2nd Qtr	FY 2006 3rd Qtr	
1 Maintain City bond ratings Moody Aaa, Fitch AAA, S&P AAA	↑a	Moody Aaa Fitch AAA S&P AAA	Aaa AAA AAA	Aaa AAA AAA	Aaa AAA AAA	Aaa AAA AAA	Aaa AAA AAA	◎
2 Commercial square footage development initiated within the Downtown CRA	↑a		140,000	210,000	0	0	0	◎
3 Percent of plan reviews completed within 15 days	↑a	>98%	95%	97.80%	98.20%	91.50%	48.90%	H
4 Non-residential value as a percent of total taxable value*	↑a	23.10%	23%	22.10%	N/A	21.20%	—	✗
5 Residents' value rating (City Survey)	↑a	70%	70%	77%	N/A	74%	—	✓
6 Percentage increase of operating millage rate	↓a	0%	0%	0%	0%	—	—	✓
7 Estimated rate of return for the City in economic development incentives	↑c	\$163.37	\$225	268.41	N/A	N/A	N/A	◎

*While the City does not expect to meet the two-year goal of "23% non-residential as percent of total taxable value", the City has seen impressive growth in the non-residential tax base. The increase for the 2005 tax year was \$143.4 million, following a \$91.8 million increase in 2004. Growth in the residential tax base has overshadowed non-residential growth.

a = annual

c = cumulative

FY2006 3rd Quarter Results		
Met or Exceeded Goal	2	✓
On Target to Meet	3	◎
Hurricane Wilma Impacted	1	H
Goal Not Met	1	✗
Total Measures	<u>7</u>	

Concept #7

- **Leadership from the CEO or CFO is crucial to the success of financial planning**
 - Does the CEO/CFO keep elected officials informed of their role and engaged in the planning process?
 - Does the CEO/CFO have a command of the critical issues facing the government?
 - Does the CEO/CFO provide accountability mechanisms to show elected officials and the public how the financial strategies are (or are not) working?

Concept #8

- **Be realistic in expectations for how quickly financial stability can be reached & the services that can be provided given financial realities**
 - Do our financial strategies have clear timelines for implementation?
 - Which strategic initiatives are the highest priority and will receive funding?

Concept #9

- **Elected officials should continuously educate themselves on financial issues by engaging staff & through outside learning**
 - Do we have planning forums throughout the year, such as workshops?
 - Are there opportunities for one-on-one meetings with staff to review concerns?
 - Can elected officials “drill” into scorecard data?

Concept #10

- **Financial planning makes staff better at achieving the city's priorities & creating real value for the public**
 - Have elected officials clearly defined a limited number of key service objectives?
 - Have elected approved a set of financial policies?

Sampling of Coral Spring's Key Outcomes

Key Intended Outcomes	FY 2007 Goal	FY 2008 Goal	FY 2009 Goal
City Crime Rate (crimes per 100,000 residents)	2,980	2,970	2,950
Number of trees planted within the City	3,000	3,000	2,000
Achieve 10% reduction of speed and/or 15% reduction of volume after installation of traffic calming measures	10% speed 15% volume	10% speed 15% volume	10% speed 15% volume
Customer service rating by residents (Resident Survey)	93%	93%	93%



The End

- For more information on financial planning...
 - Visit www.gfoa.org/Itfp
 - Email Itfp@gfoa.org
 - See me afterwards to exchange cards

Thank you for your time!

