



ASSESSING YOUR FINANCIAL MANAGEMENT ACUMEN

**The City of Roanoke's Experience
with the New GFOA-CIPFA
FM Model**

**BY CHRISTOPHER P. MORRILL,
ANN SHAWVER, AND SHAYNE KAVANAGH**

Jurisdictions need to look at their financial management periodically to make sure the finance function, and thus the entire organization, is getting the most out of taxpayers' money. This is especially true given the economic conditions of the last few years, which have shone a spotlight on local government finances. Financial indicators like reserve levels, revenue growth rates, or number of public employees per capita are helpful, but not forward-looking; they don't speak directly to the underlying quality and strategy of financial management. The City of Roanoke, Virginia, used the Government Finance Officers Association's new financial self-assessment tool to gain insight into these issues.

Roanoke was one of the local governments that worked with the GFOA to develop and test the FM Model for North America. Roanoke had a relatively new city manager, and the model helped him work with the financial leadership team to get a sense of the city's financial management practices.

LOOKING ACROSS THE ORGANIZATION

The financial management self-assessment model doesn't just cover the traditional topical areas of public finance — budgeting, accounting, debt, etc. Instead, it is built around three “styles” and four “dimensions” of financial management, and how they interact. The styles relate to 1) stewardship, which emphasizes control, probity, and accountability; 2) support for performance, concerning responsiveness to the public, efficiency, and effectiveness; and 3) enabling transformation, which is about being citizen-centered, managing change and risk, focusing on outcomes, and being receptive to new ideas. The four dimensions cover a blend of “hard” attributes, or things that can be measured, and other features that cannot, but are nonetheless necessary for financial management to be effective: strategic direction and its impact on financial management; staff competencies and the engagement; the organization's ability to design, manage, control, and improve its financial processes; and the relationships between the organization and stakeholders, internal as well as external. Together, the styles and dimensions form a multi-dimensional perspective.

The model promotes collaboration among different parts of the organization in assessing financial management prac-

tices and charting a path for improvement. Roanoke's team found this to be the case; budgeting, human resources, and risk management all worked together on the assessment process, building stronger teams across departmental lines and generating joint discussions about how to use the results to improve the organization.

Roanoke's city manager and the city's leadership team also made use of the FM Model's ability to assess financial strengths and weaknesses. For example, the model indicated that the city was doing many things well, but it also identified opportunities for improvement, and these areas have since been integrated into the city management team's strategic priorities.

WHAT ROANOKE LEARNED

Perhaps the most unexpected benefit of the FM Model was the change of perspective it introduced. Some of Roanoke's finance managers have a long tenure with the city and had grown accustomed to the structure that was in place. In addition, some of these managers had never worked for another public-sector organization, so they were somewhat limited in their ability to measure their own practices against that of other governments. These managers benefited from a fresh look and objective comparisons. Conversely, the city manager was relatively new to the organization, so the FM Model provided a good overview of the financial management features that were in place and highlighted areas that could be improved.

The single greatest opportunity for improvement the FM Model highlighted was the development of a long-term finan-

Roanoke was one of the local governments that worked with the GFOA to develop and test the FM Model for North America.

About the City of Roanoke, Virginia

- Population: 93,000
- General fund fiscal 2012 adopted budget: \$258.7 million
- 10 percent reductions in budget and employees from fiscal 2007 to fiscal 2011
- AA+, AA rated by Fitch and Standard & Poor's

cial plan. While Roanoke has a five-year capital program and performs debt modeling over a similar period, it did not have a formal multiyear plan and strategy in place for its operating position. Hence, Roanoke has committed to developing one to complement its existing long-term planning.

The model promotes collaboration among different parts of the organization in assessing financial management practices and charting a path for improvement.

The financial management model process also helped validate a number of strong practices Roanoke already had in place. One example concerned transparency of financial data to external stakeholders. The city performed well on these assessment items because it publishes many of its key financial reports and policies on its website. Roanoke has also won recognition for the format and completeness of its comprehensive annual financial report. This validation, and others, helped make the evaluation experience positive for staff, as well as demonstrating the efficacy of the staff's financial management practices to the council.

NEVER A BETTER TIME

While these benefits were real, and useful, one might still ask if the self-assessment process was worthwhile. Especially given the financial challenges local governments have faced in the last several years, was this the time to take on the additional task of a self-assessment? The city felt that it was exactly the right time.

Local government managers have been dealing with difficult decisions such as hiring freezes, layoffs, delaying capital maintenance, and reducing services. In contrast, the self-assessment process is a constructive task that allows local governments to compare themselves with industry standards.

Beyond Assessment

After the assessment, public managers might need help in making suggested improvements. The FM Model highlights additional resources managers can make use of, many of them free, such as GFOA best practices and whitepapers (available at www.gfoa.org). The GFOA's vision is for the governments participating in the FM Model to form a community of practice to compare experiences and share ideas for improvement.

Stepping back and working together with other public managers to assess financial management practices can be a positive, team-building experience. Moreover, identifying opportunities for improvement allows the leadership team to develop a strategic approach to addressing the deficiencies.

The self-assessment might identify areas of improvement that will require the support of a jurisdiction's governing body — changes in financial policies, for instance. The financial challenges most governments have faced in recent years should have prepared elected officials to understand the need for these improvements, making it easier to gain their support. Now is the time, when the great recession is still fresh in everyone's mind, to implement financial management best practices.

Many managers have been focused on survival, and a financial self-assessment can be an important step toward sustainability and eventual resiliency. However, doing it correctly requires a serious commitment of time and energy. The next section describes Roanoke's approach to getting the best value from the FM Model.

ROANOKE'S APPROACH: DIVIDE AND CONQUER

The City of Roanoke used a "buddy system" to divide the work and complete the assessments. Each of the model's 52 "good practice statements" (fundamental statements of how a government organization should operate its finances) was assigned to two individuals. Fourteen assessors from seven departments participated in the process, so any given participant worked directly with only a fraction of the good practice statements. Naturally, the assessors with the largest number of assignments were the ones most closely involved with the budget and finance areas — the director of finance, the two assistant directors of finance, the budget director, and the budget administrator.

Each member of the buddy system pairs was asked to conduct his or her assessments independently and to then compare results before finalizing the scoring. This made the assessment process as objective as possible and helped ensure that assessors were not giving too much weight to any particular issue.

Explaining the GFOA's New Financial Management Self-Assessment Tool

The GFOA has worked with its counterpart in the United Kingdom, the Chartered Institute of Public Finance and Accountancy (CIPFA), to develop a one-of-a-kind online self-assessment tool called the CIPFA-GFOA FM Model. The FM Model invites users to test their financial management methods against public-sector financial management best practices.

Visit gfoa.org/FMmodel for more information.

Conducting the assessment took about 40 hours, while initial organization, training, reviewing, and finalizing the project took approximately 20 hours. Each of the 14 individuals participating in the project invested one to 14 hours, with an average of four hours. Hence, while the total investment of time was significant, the total burden placed on any one staff member was not overwhelming.

CONCLUSIONS

The GFOA's financial management self-assessment model is designed as a resource for the whole organization. Governing boards, finance professionals, and managers can apply the FM Model together to develop a financial management approach that fits their business goals and service aspirations. Managers will find that the model can help both new and tenured managers evaluate the organization's financial management acumen; demonstrate to the board where good practices are in place; build teamwork on financial management at the highest levels of the organization; and provide an opportunity to join a learning community of other organizations that are implementing the FM Model. This process will allow the organization to highlight opportunities for improvement and, ultimately, solidify its financial position into the future. ■

CHRISTOPHER P. MORRILL is city manager of Roanoke, Virginia. Previously, he was assistant city manager of the City of Savannah, Georgia. Morrill is the president of the GFOA's Executive Board. **ANN SHAWVER** is Roanoke's director of finance. **SHAYNE KAVANAGH** is senior manager of research for the GFOA's Research and Consulting Center in Chicago, Illinois.



We Want You to enjoy safety and return on your large-dollar deposits

Access multi-million-dollar FDIC insurance and earn interest, both through a single, easy-to-manage relationship. And say "goodbye" to tracking collateral values on an ongoing basis.

Ask your financial institution if it offers the ICSSM and CDARS[®] services, or visit www.insuredcashsweep.com or www.cdars.com, to choose from the thousands that do.



Use of the ICS and CDARS services is subject to the terms, conditions, and disclosures set forth in the applicable program agreements, including the applicable Deposit Placement Agreement. Limits apply, and customer eligibility criteria may apply. ICS program withdrawals are limited to six per month. ICS is a service mark, and CDARS is a registered service mark, of Promontory Interfinancial Network, LLC.