Building a Fiscally Resilient Government through Long-Term Financial Planning

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Agenda
- Overview of Long-Term Financial Planning
- Financial Resiliency
- The Sunnyvale Experience

Overview of Financial Planning
- What is Long-Term Financial Planning?
  - Technical parts like...
    - Forecasts
    - Financial condition assessment
  - ...But so much more
    - A strategic approach to identifying and addressing financial challenges
    - A collaborative venture

Four Phases of Planning
- Mobilization
- Analysis
- Decision
- Execution
Five Pillars of Planning

- Long-Term Service Vision
- Financial Policies
- Technically Sound Analysis & Forecasting
- Collaborative & participative process
- Connection to other plans

About Resiliency

- Sustainable System
  - Balanced, but potentially brittle
- Resilient System
  - Adaptable and regenerative

Financial sustainability is a necessary but insufficient condition for ongoing financial health. Create a resilient system!

Experiences of Resilient Govts

- Maintained or improved AAA bond ratings in the Great Recession
- Made believers out of skeptics
- Preparing for the future
- Saving jobs

Resiliency Characteristics

- Diversity
- Redundancy
- Decentralization
- Collaboration
- Fail gracefully
- Flexibility
- Foresight
- Transparency
Diversity

Avoiding a single point of failure
- Multi-faceted perspective on financial health
- Diversity of land-use
- Enlarge base of supporters

Redundancy

Avoid having one path of escape or rescue
- Reserves
  - A policy to prevent use for recurring expenses
  - Create reserves for specific purposes
- Governance
  - Policies
  - Citizen engagement
- Multiple Financial Strategies

Decentralization

Centralized systems look strong, but when they fail, the failure is catastrophic
- Engage depts in financial management
  - Make managers manage budgets
  - Actively engage depts in financial strategy
- Joint approach to forecasting
  - Promotes accuracy and understanding
- Long-Term Planning Framework

Planning Framework

- Data Analysis
- Citizen Input
  - Strategic Plan
  - Business Plan
  - Budget
  - Output to Citizens
Collaboration

Working together to become stronger
- Elected officials
  - Engage by building in their priorities
  - Use officials in steward role
  - Orient new council members
  - Create peer pressure for new council members
  - Use key indicators to get officials on board

Collaborative Model

Identify & Confirm Critical Issues
Analyze Critical Issues
Analyze Financial Trends & Develop Forecast
Gap & Debt Analysis
Prepare LTFP
Implement through budget
Financial Strategy Workshop
Deliberate on & approve critical assumptions
Council Strategic Planning
Implement and Monitor

Fail Gracefully

Failure happens. Make sure a failure state won't make things worse
- Recognize changing conditions to make a soft landing
- Promote credibility and open dialogue

Flexibility

Be ready to change when plans aren't working
- Constant environmental scanning
  - Know when flexibility will be called for
- Financial Modeling
  - Evolve the planning process
  - Adapt financial planning to the circumstances
Foresight

**Think and prepare**
- Forecasting
- Identify the parameters within which to develop and execute strategies
- Environmental scanning
- Complement financial planning with other long-term plans

Transparency

**Make it easier to figure out where a problem may lie**
- Promote transparency in key areas
  - Goals and objectives,
  - Forecast assumptions
  - Reserve standards.
- Use full-cost (direct and indirect) accounting for programs.

Take-Aways

Don’t be satisfied with sustainability…
…Go for resiliency!

If you aren’t doing long-term financial planning, get started – even now

If you are, assess your process against the resiliency characteristics