



Building Consensus with the Comprehensive Financial Plan

During the next decade, local government managers will be faced with the challenge of changing constituencies. All localities will be affected by cultural and language differences. Some will confront reduced revenues as a result of depressed economies, while others will have boom economies in which infrastructure cannot keep pace. The comprehensive financial plan (CFP) represents one way that government managers can deal with change. A CFP reviewed and approved by a city council serves as a road map to direct staff on a daily basis toward accomplishing a city's financial goals.

The comprehensive financial plan is particularly useful in ensuring consistent evaluation of economic development proposals. The plan should identify criteria for economic development projects as well as long-term economic objectives. This will allow staff to match projects with the plan and thus judge their probability of approval. The CFP also provides a framework for fiscal impact analysis. Finally, because a comprehensive financial plan is an integral part of a sound financial management structure, a locality will be able to attract increased investment, both from business expansion and in the municipal bond market.

A comprehensive financial plan may be adopted by a governing board, but it will never be final. Like all strategic plans, it has four basic components: (1) examination of the environment, (2) assessment of the current situation, (3) determination of goals, and (4) identification of alternatives.

Examination of the environment should begin with a review and forecast of regional and local economic conditions, taking into account political and demographic trends. Assessment of the current situation should include analysis of the government's audit report, the budget, and a survey of all departments and programs. This will serve as the basis for determining the government's current financial position and projected capital improvement needs.

In determining financial goals, it is essential to have governing board, staff, and community input and support. Identification of alternatives is accomplished through research into the strategies of other governments, expert recommendations, and internal input. All identified alternatives should be reviewed in light of current political, legal, and administrative considerations by staff and elected officials, with the elected board setting priorities and directing action. Creating an organizational structure and assigning responsibilities are of crucial importance and should establish the government's clear accountability for its future financial condition. All aspects of the CFP need to be updated on a periodic basis so that it remains a useful and accurate guide.

With a strong government commitment of time and resources, the initial planning process for a comprehensive financial plan can be completed in approximately three months. A major portion of the schedule is devoted to council and community participation, which of necessity is on a part-time basis, making it difficult to substantially reduce the timetable for completion.

The comprehensive financial plan should reflect consensus, but the financial planning process can build that consensus by bringing all participants in at an early stage, not only to receive their input, but also to educate them so everyone involved has the basis for reasonable decision making. After one or two financial planning study sessions, the elected board should be ready to appoint a citizens advisory committee.

Citizens who may not have previously supported the governing board, or been active in government, should be asked to serve on the committee. When a government appoints a citizens committee for a particular project, staff often have already made conclusions and present a finished package to the committee for review and approval. Because the financial planning process is designed to establish agreement, however, preconceived notions should be avoided. The financial planning process can improve community relations and lead to the discovery of new strategies and ideas.

The charge given to the committee will be extremely important. Because the financial planning process is broad, the citizens committee will be particularly tempted to stray from financial policy into other areas of concern. A good committee chair will attempt to keep the committee focused. The charge must be written to reflect exactly what the committee's role is, with a careful differentiation between the committee's responsibilities and those of the governing board. The two potential problems with a loosely written charge are a committee's desire to run the government, and the governing board's desire to let it.

When the committee has had adequate time to comprehend the research and analysis of staff, its members will need to come together with the governing board to identify potential financial goals. The governing board must take ultimate responsibility for this determination, however. Once goals are established, staff should research and present alternative action plans to accomplish the goals. The governing board should prioritize the goals and select compatible action plans.

Once the governing board has directed action, the formal financial planning process is concluded and the CFP is adopted. If the process is successful, open communication liens will be strengthened, and the plan will be a topic of discussion and amendment in the community, among staff, and at council meetings on an ongoing basis. And of course, the government will be better prepared than ever to deal with the future. **PM**

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