

The Journey To Resilience

CSMFO

February 2015

Bob Eichen, CFO City of Boulder, Colorado

Why?

- Goes to the very core of why our organizations exist:
 - Not a flavor of the month
 - Evolution not revolution
 - It is encompassing and fits itself to the small and very large entities
 - Complements long range fiscal planning across the entity
 - It has been proven that it can work

Why?

We must be ready – these will continue

- Acute:
 - Economic Downturns
 - Disasters
 - Losing major businesses
- Chronic:
 - Housing
 - Transportation
 - Replacement, renovation, redevelopment

Why?

- Leave your organization better than you found it
 - By definition resilience does so



What Do We Do To Get Started?

- Taskforce: Invite Include Inspire
 - No inspiration needed
- 15 members consisting of people who have worked on it or were very interested in the topic
- Broad range of experience
- From California
 - Jimmy Forbis - Monterey
 - Maria Kachadoorian - Chula Vista
 - Mary Bradley - Fremont
 - Pall Gudgeirsson – San Clemente - retired

What Do We Do To Start?

- Define Resilience and specifically financial resilience.
- What are the characteristics of:
 - A financially resilient government?
 - Specific practices under each characteristic?
 - How do we make it stick in an organization?
 - What are the best practices to implement?

What?

Standard Definition of Resiliency

- The ability of a government:
 - to withstand acute shocks and chronic stresses
 - while maintaining and improving essential services and,
 - recovering quickly and effectively better than you were before.



What - Fiscal Component Definitions of Resilience

Accepting	Organizing				Inclusive	
Reflective	Robust	Redundant	Flexible	Resourceful	Inclusive	Integrated
<p>Learns from past experiences</p> <p>Recognizes the ever-increasing uncertainty and change in today's world</p>	Well-conceived, constructed and managed physical assets.	Develops efficient systems that can hand distribution	Can change based on new evidence	Achieving same goals, but through new processes or methods	Covers wide range of people and places	Ensures common goals and coordination throughout efforts

What? **Accepting: “Reflective”**

- *Reflective governments accept uncertainty and change as the norm in today's world.*

What? Organizing: “Robust and Redundant” and “Flexible and Resourceful”

- *Robust systems have redundancy and include well-conceived, designed, and implemented processes.*
- *Flexibility implies that an organization will anticipate, evolve and adapt in response to changing circumstances.*

What? Inclusive: “Inclusive and Integrated”

- *Inclusion emphasizes the need for broad definition or perspective on what constitutes “financial health.”*
- *Resilient organizations ensure common goals and coordination throughout their efforts.*

What?

- **Core concept from the GFOA Taskforce:**
 - *Resilient governments accept uncertainty and change. They learn from past experiences, evolve and come back better than they were before.*

How?

GFOA level – Build on the foundation of fiscal sustainability and go beyond it

Entity Level – COB examples and lessons learned

How? Resiliency Is Not Something New

- GFOA – Recovering From Financial Stress - The Transform State
- GFR – “Rebuilding an Resilient Nation, “Probability Management in Financial Planning”, “Sizing Your Reserves a Risk-Based Approach”
- White Paper – Shayne Kavanagh – “Building a Financially Resilient Government Through Long-Term Financial Planning”
 - Covered in the GFOA Long Range Financial Planning and Financial Policies classes
 - Webinar in early 2014

How?

- Theme of year
 - Surfaced at annual conference in Minnesota
 - Working agreement with Rockefeller Foundation
- Teamed with GFOA Research and Consulting Center
- How to implement and make it available to everyone in our profession
- Themes
 - Innovation and Resilience - Philadelphia
 - April issue of Government Finance Review
 - “How to” and best ways we know as a separate document or white paper

GFOA: Characteristics of a Financially Resilient Government

- Starting point Rockefeller Center framework
- Defined resilience for public finance
- Studied the decision making sciences
 - Made to Stick and Decisive – Chip and Dan Heath
 - Developed guidance for making better decisions on the front end

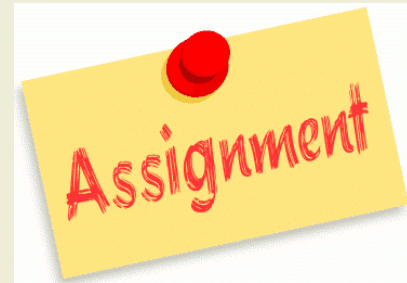
GFOA: Specific Practices Under Each Characteristic

- Taskforce came up with 15 areas to start
- Voted on which ones to work on
- Top five:
 - “Playlist” for financial decision-making
 - Try out new decisions as “experiments”
 - 10/10/10 analysis
 - Identify Guiding Principles
 - Building relationships



GFOA: Specific Practices Under Each Characteristic

- Broke into five subgroups of three on each team
- Supported by GFOA staff
 - Shayne Kavanagh
 - Elizabeth Fu
- Reading assignments
- Have to be willing to field test in own organization to see if the proposed worked in practice as it did in theory



GFOA: How?

“Playlist” for financial decision-making

- Develop a playlist that speaks to a broad audience but still is specific enough to be useful. To do so, the topic and structure of the playlist will need to be carefully selected.



GFOA: How?

Try out new decisions as “experiments”

- Develop precise guidance on how governments could incorporate “experiments” into their budget process.



GFOA: How?

Develop Principles of Financial Resilience

- Communicate how core principles are different from vision and mission statements
- Describe how core principles could be developed so that commitment is achieved
 - Show what good core principles look like

GFOA: How?

Building relationships

- Make the case that finance should build these relationships
 - Isolated
 - Neutralized
 - Engaged

GFOA: How?

10/10/10 analysis

- Develop clear recommendations on how 10/10/10 analysis could be made part of governing board deliberations, when needed (or some other appropriate point of the financial decision-making process).

We Want To Be Resilient – How Do We Make It Happen?

- How do we help finance officers gain acceptance of new ideas in their organizations?
- How do we hasten the spread of public financial resilience?
 - Communication is a Strategic Issue
 - Made to Stick and Decisive
 - written by Chip and Dan Heath

Decision Making Sciences

- Decisive – narrow framing - you miss options

W – widen your options

R – reality-test your assumptions

A – attain distance before deciding

P – prepare to be wrong

The Stage Was Set at the COB

- Still reeling from the devastating tech bust
 - What can we learn?
 - What are the best practices?
 - How can it work in our entity?
- 2005 – Long Range Fiscal Planning-the genesis
- Sustainability - Just getting back to where we were – **We Need To Be Better**
- Result – the journey toward resilience

Lessons Learned From Sustainability Implementation – “The Evolution”

- Economic, Environmental, and Social - at first were separate, not integrated: 2004-05
- Fiscal sustainability was an afterthought
- Added via two community driven BRCs
- The GAP
- How do we gain traction going forward so we are better than before?
- How do we make it stick
 - Not just fiscal – all areas

Resiliency - Theory to Implementation

- BRC results became the roadmap for our fiscal and leadership journey
 - More on this later
- Opportunities on the revenue and expenditure sides
- We wanted to be better than we were before the 2001 - 2004 downturn
- Resiliency – let's find out about it – so the journey began

The GAP

- 3 versus 4 percent
- One-time to balance
- Watching the house of cards be blown away
- Leadership – pick yourself up and get back on the horse



COB: How?

“Playlist” for financial decision-making:

COB:

- The budget will balance ongoing revenue to ongoing expenditures.
- One-time money will be used for one-time expenditures
- Debt will not be used for operating costs
- Triggers

COB: How?

Try out new decisions as “experiments”

- Ooching and one-time funding
- Innovation Funding: Portland, LA, Baltimore
 - Innovation funding that is real – it isn’t what was not approved in the last budget
 - COB plans to include in the 2016 budget
 - Must it save money or generate revenue?
 - The age old discussion of social benefits and innovation

COB: How?

10/10/10 analysis

- RMJ revenue projections
- Structure of the Finance Department
- Using it in major new decisions and gradually introducing it to the entire organization.

COB: How?

Identify Guiding Principles

- Guiding Principles
 - Priority Driven Budgeting going into our fifth year
 - Peer review teams
 - » one of the biggest unexpected results

COB: How?

Building relationships:

Invite, Include, Inspire

– Matrix Management:

- Major Projects
 - Municipalization
 - 2A
 - Boulder Junction
 - Civic Area

– Budget Transition Team

- One is now the COB Budget Officer
- One is the Deputy Director in a major department of the city
- One has become a finance manager in a major department
- Two are senior financial analysts in other cities

Resilience Takes Resilient Leadership

- **CSMFO - Our Mission**

CSMFO promotes excellence in financial management through innovation, continuing education and the professional development of our members. CSMFO members are deeply involved in the key issues facing cities, counties, and special districts in the State of California. We value honesty and integrity, and adhere to the highest standards of ethical conduct.

Leadership

If your actions inspire others to dream more, learn more, do more and become more, you are a leader.

John Quincy Adams



Questions?