

LOCAL GOVERNMENT FISCAL POLICIES

Presented at the 2018 Alaska Municipal League
Conference,

Anchorage, Alaska

November 15, 2018

WHAT IS A LOCAL GOVERNMENT FISCAL POLICY?

A local government fiscal policy is a set of financial policies, benchmarks, and guidelines, adopted by a local government Assembly or Council, which are designed to maintain a local government's long-term financial health.

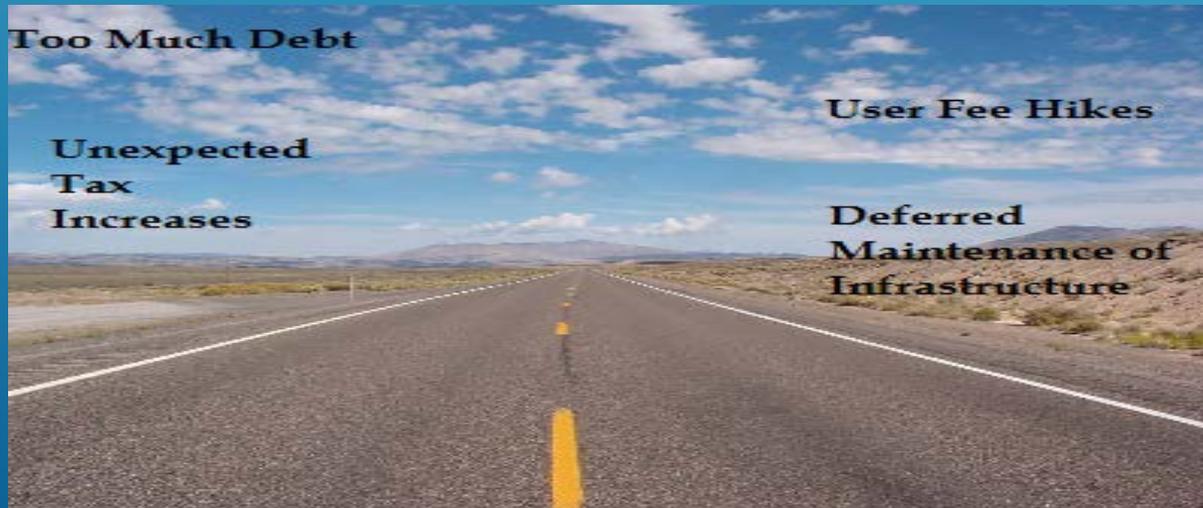
A local government fiscal policy ideally is:

- o Comprised of written guidance for local government financial planning and decision making;
- o Formally codified in local law;
- o Long-term in its focus; and,
- o Contains benchmarks against which local governments can measure financial health.

WHY CREATE A FISCAL POLICY?

A well-designed local government fiscal policy can ensure dependable delivery of governmental services to citizens in an affordable manner while limiting the risk of unplanned and unexpected user fee or tax increases.

A fiscal policy is planning to always stay in the middle of the financial road, avoiding the problems that occur when you run off the road!



WHAT DOES COMMON SENSE DICTATE THAT A FISCAL POLICY SHOULD DO?

Help a Municipality to determine what governmental services it can afford to provide

Help a Municipality to determine how, when, and by how much to raise taxes and user fees in order to continue to dependably provide the services it wishes to provide

Be something that the citizens and Assemblies/Councils accept, understand and support

And most importantly.....

Helps Municipalities to avoid financial crises!

BASIC ELEMENTS OF A FISCAL POLICY (IN LAYMAN'S TERMS)

Debt policies to insure a Municipality does not over-borrow

Cash reserve policies to insure a Municipality can repair infrastructure and respond to emergencies

Revenue/user fee increase policies to ensure that services are affordable and citizens are not hit with rate spikes

Operating budgeting policies to ensure that annual appropriations support strategic financial health

Capital budgeting policies to ensure that infrastructure is maintained, deferred maintenance is minimized, and plans for financing of future capital projects can be accomplished without tax or fee spikes

Accounting and financial reporting policies that allow for Assemblies/Councils to monitor

WHO CREATES A FISCAL POLICY?

Staff and/or or outside entities (citizens, consultants, etc.) **create** the fiscal policy. Individual Assembly members may assist in the process.

Assemblies and Councils direct that a fiscal policy be created, provide necessary resources, **and monitor** progress

Assemblies and Councils adopt the policy

Assemblies and Councils evaluate and measure financial health against benchmarks

Staff and/or or outside entities revise the policy when appropriate.

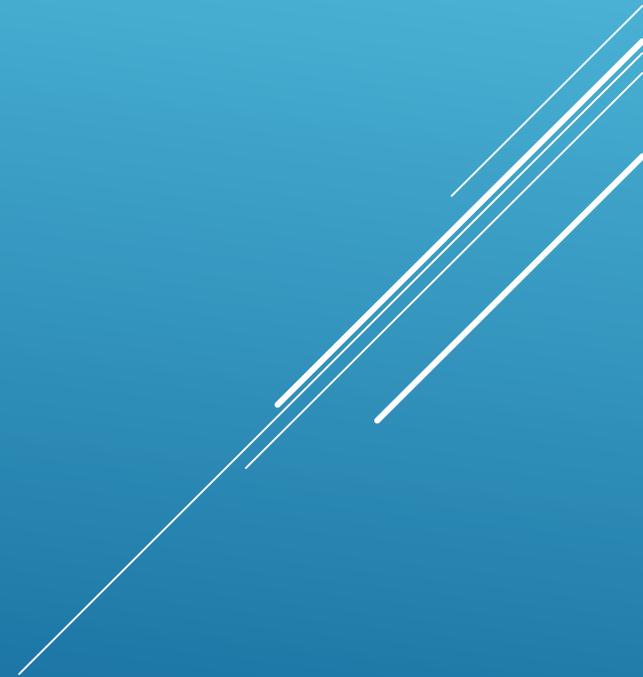
Assemblies and Councils periodically direct that **a** fiscal policy be **reviewed**

HOW LONG DOES IT TAKE TO CREATE A WELL-DESIGNED FISCAL POLICY?

Months. Think of the timeline to be similar to the development of a comprehensive plan.

Lots of time must be devoted to education of Assemblies and other stakeholders as what technical terms mean, and, what guidelines must be created in order to achieve common sense goals.

The process is iterative. Assemblies must periodically review the development process and provide input and direction. Waiting for staff to produce a finished product and then discussion adoption is a mistake.



WHAT ARE THE OBSTACLES TO SUCCESSFULLY CREATING AND IMPLEMENTING A FISCAL POLICY?

Complexity! Assemblies and citizens have difficulty getting their arms around the concept and the inherent complexity.

Inertia! Creating and adopting a fiscal policy means doing something - making decisions and implementing structure over financial decision making.

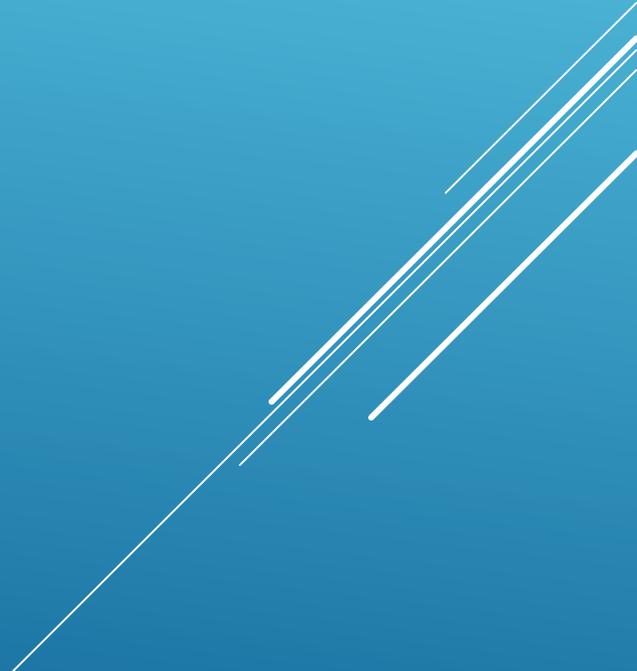
Resistance to Change! Creating and adopting a fiscal policy means changing the ways things have already been done.

Competing Demands For Time! When everyone's plates are overflowing with day-to-day responsibilities, it is hard to find time for a major policy initiative.

SO, HAVE ANY OTHER COMMUNITIES DEVELOPED AND ADOPTED A FISCAL POLICY?

Yes, absolutely! And not just large cities, either!

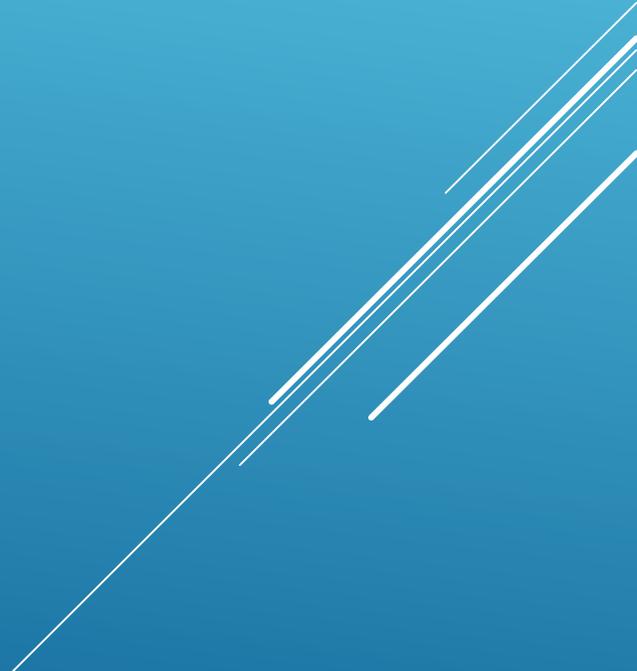
Example handout – Bend, Oregon Fiscal Policies

A decorative graphic consisting of several parallel white lines of varying lengths, slanted diagonally from the bottom right towards the top right, set against a blue gradient background.

SO, HAS SITKA DEVELOPED AND ADOPTED A FISCAL POLICY YET?

Not yet. Sitka has been discussing the concept for 2 years, and, the Investment Committee(Assembly commission) has been delegated the task for time being

Why not? – Complexity, competing time demands, and change!

A decorative graphic consisting of several parallel white lines of varying lengths, slanted diagonally from the bottom right towards the top right, set against a blue background.