



Lessons for the Future Finance

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Executive Summary

Local governments that are thriving in 2030 will have woken up to the looming reality of climate change and the continued economic effects of public health emergencies, inflation, and economic declines by centering their financial strategy around resilience and risk management. Local governments face structural funding and political constraints in their ability to address these challenges. To effectively pivot towards planning for fiscal resilience, the finance workforce in these local governments will need to redevelop their approach to internal decision-making and public and legislative engagement and education. By demystifying the way that dollars flow behind the scenes, a more informed public can work more collaboratively and transparently with decision-makers on how to prioritize government services and fund government programs. Of course, the success of these efforts relies on the recruitment, retention, and development of a modern and reinvigorated workforce. By focusing on unlocking the inherent strengths of government organizations as modern workplaces, new and returning bureaucrats will be invigorated to pursue creative approaches to entrenched challenges.

Introduction: The Challenges

Across the country, local governments face the same budgetary challenges—more expensive services and greater service demands coupled with limited financial resources. Even when a jurisdiction does not increase spending, expenditures rise with annual personnel costs and inflation. And, as has been the case in the past decade especially, the unprecedented costs of increasingly more deadly and destructive weather and climate-related events can wipe out any jurisdiction's reserves with a long road to economic recovery.

The Finance Delegation asserts that the most important NAPA Grand Challenges to address when looking head to 2030 are as follows:

1. **Build Resilient Communities:** Local governments are facing a tremendous amount of uncertainty in the future. Existing long term liabilities, changing political climates, and infrastructure demands are consistent issues among many localities. Local governments should be preparing to mitigate these issues by addressing and assessing risks and investing in resilient infrastructure.
2. **Develop new approaches to public governance and engagement:** In the face of structural decision-making challenges due to long-term funding constraints, political will, and challenges in public engagement, local governments must reimagine their public input and internal governance strategies. Successfully addressing concerns raised through a public engagement process reduces residents' concerns about the lack of transparency, promotes trust in elected and appointed officials, and reinforces the legitimacy that governments must always maintain – especially concerning the stewardship of a community's finances.
3. **Modernize and reinvigorate the public service:** None of the work above can be done without a modern and reinvigorated public workforce. The current workforce is aging into retirement, and local governments are struggling to attract and retain Millennial and Gen Z workers. By leveraging opportunities to bolster worker mastery, autonomy, and purpose, local government organizations can grow a workforce for the future.

Array of Programs

Local government finance departments run an array of programs and lead in an array of financial management activities which are listed and described in the table below. The demands placed on local government finance offices are multifaceted and rapidly changing based on current socioeconomic conditions. The programs and services offered may vary depending on the size or structure of the local government entity.

Programs and Services

Department Function/Division	Program Area	Description of Programs and Services
Administration	Capital & Debt Management	oversight of capital expenditures and debt issuance
	Pension Administration	local pension oversight, benefit calculations, pension payroll
	Enterprise Risk Management	evaluating and utilizing opportunities to reduce risk
	Strategic Management	determining financial strategies to promote governmental efficiency
	Procurement	establishing policies and regulations for purchasing
	Asset Management	recording and maintaining inventory governmental assets
	Performance Measurement	reporting and analyzing the performance of a program or initiative
Budgeting	Operating Budget	creation, analysis, and reporting on operating Budget
	Capital Budget	creation, analysis, and reporting on capital budget
	Long Term Forecasting	reporting and analyzing long term financial outlook
Taxation	Tax Assessment	analyzing and assigning values to taxable property
	Tax Collection	issuing tax bills and collecting the revenue they generate
Accounting	Internal Controls	establishing procedures and processes to prevent fraud or inappropriate uses of governmental funds
	Payroll	processing employee payroll and related tax forms for compensation earned
	Accounts Payable	processing vendor payments and any related tax forms
Auditing		examine and evaluate financial records for accuracy, completeness, and compliance with any rules and regulations
Treasury	Cash Management	analyzing and reviewing cash balances
	Investment Management	optimizing the governmental investments and determining new strategies to earn investment income

Section 1: Promoting Financial Resiliency

Risk Analysis & Management

Risk Analysis & Management are a significant challenge for most local governments. Liability insurance premiums come at a substantial cost, and can lead to many governments to self-insure. A 2002 survey of public risk management professionals found that over 70% of governments used self-insurance to, at least partially, meet their needs¹. The significant risks governments face, combined with the lack of adequate reserves, is a significant concern in most localities. Governmental reserve levels are often determined based on budget estimates and achievability versus a comprehensive risk assessment of anticipated need. Finance leadership should not only be analyzing potential financial impacts based on historical trends, but also considering how these risks may change in the future. Examples of risks that directly affect local governments include but are not limited to legal claims, adverse weather events, recessions, and health epidemics

Unfortunately, many local governments have seen an uptick in adverse weather events, legal claims, and pandemics. In recent years, the United States has experienced, on average, more than one disaster that has caused over a billion dollars in damages each month². Additionally, many localities are facing economic uncertainty as inflation rises and they recover from the COVID-19 pandemic. These changing conditions require local governments to analyze current trends in addition to planning for historical impacts. The process of modeling future risks and anticipating potential needs serve as a valuable guide in determining each locality's required reserve level. Additionally, some state governments may legislatively set minimum reserve levels for cities, towns, and county agencies.

Determining the appropriate reserve level is the first step in managing risk. The second, and more difficult step, is achieving said level. The inability to adequately fund reserve funds (also called rainy-day funds) is partially due to the significant strain of long-term liabilities placed on the budget for local governments. The two long-term liabilities that tend to put the most strain on governmental budgets are Pension Actuarially Determined Contributions (ADC) and funding for Other Post Employment Benefits (OPEB).

Locally administered pension plans are required to have actuarial valuations at least every two years. These valuations include a variety of information about the plan's demographics and financial health; however, the funded ratio is typically the piece that makes headlines. Far too many municipal pension plans are critically unfunded. While funded status is an important indicator of a system's viability, one piece that could receive more recognition is the impact that ADC has on the locality's operating budget. A considerable portion of any year over year revenue growth is absorbed by the increase in the locality's ADC. Unfortunately, there are few solutions for this issue. Many of the pension benefits that contribute to this cost are codified via collective bargaining or consent decrees and cannot be amended. The disproportional growth rate of revenues versus pension ADC leaves little room for implementing or enhancing programming within the locality.

¹ Qiao, Y. (2007), "Public risk management: development and financing", *Journal of Public Budgeting, Accounting & Financial Management*, Vol. 19 No. 1, pp. 33-55. <https://doi.org/10.1108/JPBAFM-19-01-2007-B002>

² <https://www.whitehouse.gov/cea/written-materials/2022/09/01/the-rising-costs-of-extreme-weather-events/>

Another significant liability among some local governments is OPEB plans. Like pension systems, these plans are required to have a valuation at least every two years. Many localities set up a trust fund to adequately fund the future cost of these benefits. However, some choose to fulfill their OPEB obligation on a pay-as-you-go basis. Funding OPEB on a pay-as-you-go basis can be beneficial as any savings related to changes in benefits offered, co-share increases, and other cost containment initiatives immediately impact the net cost of pay-go. This can stabilize or potentially decrease the costs associated with OPEB funding. While this may seem like an ideal solution, it does come with risks. Higher than anticipated claims can cause the self-insurance fund to go into a deficit position, resulting in additional and potentially unbudgeted funding being allocated from the operating budget to the self-insurance fund. Localities funding OPEB on a pay-as-you-go basis should ensure that they have adequate reserves in their self-insurance funds to protect against future deficits.

Resilient Infrastructure

Beyond ensuring that rainy day fund balances provide municipalities with resources to withstand economic shocks, local governments are able to promote resiliency by optimizing asset uses. Tools available for this purpose include utilizing building codes to enforce new infrastructure that is able to withstand weather extreme temperatures, zoning laws that require brownfields and similar water retention strategies, and public spaces built to provide relief in cases of emergency. As with any extreme event, government is most challenged to provide a safety net for the most vulnerable of a community's residents

Investing in sustainable infrastructure has been increasing among local governments. Sustainable debt issuances have increased by 71% between 2020 and 2021³ (S & P Global 2022). This shift in debt issuance is a strong indicator that local governments are focusing on long term investments that increase resiliency. This is a welcome change, as many localities are experiencing increased frequency of natural disasters and costs associated with remediating damage. Investing in sustainable and resilient infrastructure is aiding in insulating local governments from unexpected and unbudgeted expenditures when these disasters occur.

Preparing for 2030

Effectively managing risk and investing in resilient infrastructure are two ways that local governments can indirectly impact equity. New reporting software, datasets, and trend analysis provide local government's with tools to more accurately predict the potential needs of their organization. Interdepartmental collaboration with emergency management professionals can provide insight on a community's specific needs based on geographical demographics. Localities are able to protect programming that benefits vulnerable populations by using these tools to assess risk and maintaining appropriate reserve levels.

³<https://www.spglobal.com/ratings/en/research/articles/220210-u-s-municipal-sustainable-debt-issuance-could-surpass-60-billion-in-2022-12259605>

Section 2: Governance and Engagement Challenges in Public Budgeting and Financial Reporting

A successful future for local governments is reliant on fiscally sound financial reporting, transparency and consistent engagement. Local governments must adapt to economic and rapid technological change, resulting in the need for constant adaptation. Increasing collaboration between communities and local governments to embed social and economic solutions is imperative. For many years, the spotlight of many political debates has been related to the fiscal challenges for local governments. These demands have been profound enough to acknowledge the need of one of the National Academy of Public Administration (NAPA) Grand Challenges of leveraging and developing new approaches to engage the public and its leaders by utilizing emerging technologies and enhancing collaboration.

Public Financial Education

After budget adoption and implementation is executed by the government agency, a full accounting is necessary to report the financial results of the agency. This financial snapshot is funneled through the financial statements of the local government showing the results of operations based on the adopted budget. Government officials and residents may utilize these financial reports as tools to review any shortfalls that were not projected in the budget or to engage and demand change in administrative policies. However, many local leaders and constituents lack an understanding and financial background to properly engage, collaborate and challenge administrative changes. This gap causes friction and lack of trust across the board. Utilizing emerging technologies can help bridge this gap by modernizing communication. Town hall meetings can be executed virtually. Public notifications can be expanded exponentially through many platforms. Surveys, polls quizzes can be expanded virtually to assist with engagements. All of these prime examples are one of many benefits of why staying ahead of the curve in technology can be transformational in local government. For example, The City of Jersey City in New Jersey implemented live streaming sessions for all town hall meetings to adhere to transparency and civic engagement in its locality as part of the New Jersey Sunshine Law that was enacted in 1975.

Educating the public and government officials is also imperative to engagement by providing a sense of fiscal transparency and collaboration. Many argue that the presentation of financial reports is antiquated and not user friendly. Thus, discouraging engagement including intergovernmental collaborations. Modernizing the presentation of fiscal reports is necessary to help better capture, clarify and engage local government in its operational results. Reducing outdated, insecure financial systems to modern platforms is the first step in re-engaging political leaders in their local government finances. By utilizing modern financial technologies that include, for example, the ability to use financial dashboards, government officials can quickly visualize, track, validate and educate the financial health of the local government to their constituents. With the help of modern financial software, local governments, stakeholders, and leaders have the opportunity to review the unified financial data and generate immediate action and conversations about future thinking in budget planning.

As government finance officers, we are learning the power of data in telling a story. Infographics, the visual representation of data, are increasingly powerful and local governments are using these tools at

higher rates. Providing modern visuals by leveraging emerging technologies will assist in fiscal transparency and engagement. Infographics in the government space, for example, can educate, highlight, and provide visual storytelling in a more meaningful way. Thus building resilience amongst its community and residents and re-engaging them in a different way. The state of communication has been increasingly visual and digital causing local governments to evolve and rely more on other platforms outside of traditional newspaper publications to drive attention to our stories. Thus, local governments must evolve in their present time by communicating effectively through technology and advancing the utilization of digital platforms with visuals to educate and provide fiscal transparency. The City of Summit in New Jersey provided a user-friendly Budget snapshot of its proposed budget clarifying to its residents its plan to utilize its upcoming budgets.⁴

Open collaboration to facilitate public engagement in strategic planning is an important objective for good local governance. Implementing a strategic plan creates a roadmap on how a local government may want to direct its resources for its community. It helps envision specific outcomes for a three to five years consensus instead of the traditional yearly flat budget reviews. This type of engagement requires effective communication and collaborations across the community and its local leaders. It also involves creating a finance committee to assist in holding community meetings, forums, initiating surveys and workshops virtually or in person to discuss these plans to educate how it will fiscally affect the local community. The end goal is for residents, stakeholders, and potential partners to collaborate and be informed how these strategic priorities will impact the local government budget down to the taxpayers. Strategic planning is becoming a necessary trend in the public space and still many local governments have not adopted this type of practice. The City of New York for example, provided a comprehensive strategic plan called OneNYC 2050⁵ acknowledging its community's current challenges and listing its priorities for the next couple of years. This example shows progression, accountability and transparency by its local leaders to its constituents. However, many local governments are not progressively changing behavior fast enough to determine priorities, put adequate resources behind those priorities and then hold people accountable for results. For this reason it's imperative that, in order for local government to effectively engage with its community, it must prioritize its budgetary process.

Public Engagement and Prioritization

In local government, prioritizing needs and desires and incorporating public input in government decisions are commonplace. We see this the most often in the development of a government budget. There are several components in this development that are strategically placed to facilitate collaboration between government departments and agencies, negotiations between elected officials, and evaluations conducted by senior management. One might, more often than not, find these components in the budget development process of every government jurisdiction in the country in some form or another. However, one vital process, whose execution varies from jurisdiction to jurisdiction, tends to be generally overlooked or has shown evidence of the need for greater investment. Public engagement is arguably the most important component of any budget development process. In this submission, we will explore public engagement as a tool to increase transparency, improve citizens' perspectives of government, and legitimize government actions.

⁴ <https://www.cityofsummit.org/DocumentCenter/View/8061/2022-Budget-Snapshot>

⁵ <https://onenyc.cityofnewyork.us/wp-content/uploads/2020/01/OneNYC-2050-Full-Report-1.3.pdf>

If there were ever a word to characterize the general consensus concerning government as an institution, it would be opaque. Citizens realize that the government is there, but how it works and what goes on behind closed doors to reach decisions that could potentially affect their way of life is often unknown. Academics and practitioners agree that the budget process is the most important series of events in the practical world of public administration. Deciding how resources are collected, evaluated, and allocated is a crucial decision-making process; not only to those making the decisions, but also to those whom those decisions will directly affect. Developing a public engagement component that will allow for residents to be directly involved in the decision-making process significantly increases transparency and gives residents a better view of how their tax dollars are being spent.

Maintaining trust in government is challenging. Especially when clouds of misinformation hang in the atmospheres of communities who stand to gain the most from government services. This zeitgeist is not a new phenomenon. Distrust in government often stems from citizens' belief that government spends money in inefficient ways that are not helpful to the community at large. We see this trend tagged alongside the recent swell in the public's perception of policing services. "Defund the police" has been the rallying cry of many people who believe that reallocating funding appropriated for law enforcement services is the ideal way to address the rise in officer-involved shootings. The city of Austin, Texas has made the most reductions in the Country by cutting one third of its budget to other public service projects. While this example is the most prominent recent activist effort that directly connects the budget to the outcome in the public imagination, it belies the complexity of this issue without truly revealing what the funding actually does. Better policing invariably means more expensive policing, with the overwhelming majority of police funding being allocated towards personnel. Public authorities, especially local communities, stand to gain the most by employing public engagement methods. As the level of government 'closest to the people,' local governments have the obligation to improve levels of public trust and promote healthy relationships between them and the people they serve.

The secret ingredient that transforms power into authority is *legitimacy*. Legitimacy can only be given by the people over whom that power is exercised. Decisions made by government concerning the allocation of resources in its budget are often scrutinized as they do not solve all of the problems that a community faces. Realistically, no budget will ever solve every problem. However, it takes legitimacy for budgets to remedy the issues that they can address. From providing affordable housing units for people of low economic means to increasing educational funding to creating parks and greenways to promote healthy living for residents. These are all genuine needs that require input from the community. Every resident is a stakeholder – one of many individuals who directly contribute to and benefit from the actions of government. Bolstering public engagement initiatives solidifies the legitimacy that every government should seek to maintain.

Governance and Structural Challenges

One of the main disconnects between the desires of the public and the reality of the public servant is recognition of the necessity and limits of incrementalism in the budget development process. Most public budgets for established jurisdictions are built as a series of individual decision points of increase and decrease, netted against a "baseline" or "current service level" budget requested by agencies. This framework necessarily means that on day one of the budget process, a large portion of a city or county budget is already locked in by prior year decisions, and thus unavailable to respond to both the interests arising from the engagement process and the elected officials responsible for ensuring that the policy

priorities and operational activities funded by the budget reflects the will of the people. This narrow space for new decisions also means that cities and counties are unable to cope with existential challenges, like climate change, modernizing the public workforce, building resilient communities, all of which require large scale and often long term investment. It also leaves local governments uniquely vulnerable to fast-moving threats, like global pandemics and economic contractions.

One frequently-cited process alternative to the series of individual decision points is Zero Based Budgeting. Zero Based Budgeting presents an alternative methodology in an academic sense, but as a practical matter, it does not

address the underlying constraints that drive budget incrementalism in the first place. Personnel, debt, and other “sticky” commitments from prior years will always still be built in as a matter of practice in any “zero based” budget process. The real challenge then is budget inertia, where it is hard to take away any existing service,

Case Study: Washington, DC
In the fall of 2018, the District of Columbia Mayor Muriel Bowser proposed reallocating unused capital dollars to address critical facilities needs in DC public schools. One of the projects proposed for reprogramming was the Fort Dupont Ice Arena - an aged, publicly-owned ice rink. For years, the non-profit operators had been unable to raise their portion of the funds required for the city's renovation project, while the city's budget allocation went unused. But the Mayor's proposal was met with uproar from a small but vocal and dedicated group of ice skaters, and the funds were ultimately restored. Nearly 4 years later, only 3.2 million of the 39 million allotted for the ice arena had been spent, and the project remained incomplete.

entitlement, or benefit once a constituency for it has been established, no matter what the documented cost or efficacy of the program is. Most budget professionals have “war stories” of one kind or another around trying to cut a program or service of some kind, and being burned by the narrow constituency who wants it reinstated.

This “sticky” commitment challenge is also evident in the constraint of collective bargaining agreements, pension obligations, and debt payments - all of which are governed by a series of complex, layered prior-year decision points, but have very long-term implications. These kinds of agreements are negotiated and accepted under an assumption of steady and unflinching economic growth, but the reality is that no local government balances their budget to a 30 year financial plan, or can predict when and how often recessions will occur during that time frame. Although they represent some of the largest investments that a local government can make, they are then also the hardest to change in times of crisis. The ensuing, inevitable recession budget cuts inevitably then fall on public programs, usually the newest, smallest, and sometimes the most innovative.

Even in years of economic growth, the process resulting from this narrow budgetary flexibility is often a painful exercise in which budget staff scrape together as many incremental savings as they can, in order to dedicate enough funding to cover rising operational costs and perhaps fund a few new initiatives according to the priorities of their elected officials. There is limited space and opportunity for the kind of big-picture realignment, major future investment, and re-thinking how government service can be effectively delivered. Some savvy politicians and administrators regard crisis moments as an opportunity to make otherwise unpalatable changes and unstick “sticky” commitments with specific constituencies. For example, some leaders might use recessionary layoffs as an opportunity to pursue workforce reform, or pandemic restrictions as an opportunity to make long-desired service changes, like consolidating bus routes or library branches. But because these methods can only be deployed with the “excuse” of

disaster, the resulting funds are dedicated towards closing a budget gap rather than re-designing government service and re-investing in building resilient communities.

Further complicating the decision-making process, political leaders, who are elected to 2, 4 or 6-year terms and may be term limited, have their own election cycle priorities and varying levels of commitment to long term investment and stewardship. Very long term, sound-bite-unfriendly needs for strategic workforce planning and resiliency are routinely deprioritized in favor of short-term crises or the desire to make political gains. Despite varied and diverse political platforms, executive mayors and other top elected officials end up governing from essentially the same playbook because of the limited budgetary tools available to them. The council-manager form of government is subject to similar constraints. Bound by consensus, board or council-elected officials are beholden to the limited governance options of their appointed professional manager, yet still eager to carve out small new budget items that respond to specific, narrow constituencies. There is a tradeoff between adaptability and stability in any governance structure - and no doubt the bureaucracy of local government has been built at least in part in an attempt to balance those competing necessities. But now, facing huge, varied and existential issues at the local level, with federal action typically slow to arrive, local governments are caught unable to adapt to the grand challenges of the 21st century.

Private industry raises capital on private markets or seeks federal subsidies to pursue innovative ideas and new products. The closest analogue to that infusion of new capital in local government is grants, whether from state or federal government or from philanthropic institutions. But because of the framework of grants and the typically low capacity for budget absorption in the general fund, there is no vision for converting or expanding those grants that have identified programs that actually work, and adopting them into the government's general approach to service delivery.

Section 3: Recruiting, Retaining, and Developing a Modern and Reinvigorated Public Finance Workforce

The local government's ability to provide services to its community primarily relies on its most important asset, human capital. Local government finance and budgetary staff provide meaningful and necessary internal services to all other departments. Many work plan objectives fulfill necessary or statutorily required aspects of local government including annual financial statements, annual budget and capital improvement programs, payroll, procurement, and state and federal grant reporting and compliance. They communicate and educate administrative leaders, elected officials, and the public about the fiscal realities of their organizations. Yet, as a whole, the local government workforce remains smaller than it was in 2009⁶, while the delivery of governmental services has become more complex and populations in many local governments have increased.

While it may seem daunting for legacy institutions like local governments to modernize and adapt in order to reinvigorate the public workforce, our organizations, especially finance departments and budget offices, have opportunities to appeal to the motivations of the current and future workforce. The

⁶ U.S. Bureau of Labor Statistics, All Employees, Local Government [CES9093000001], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CES9093000001>, October 5, 2022.

challenge and reality is that local governments are not currently leveraging these all opportunities, leading to workforce burn out, cynicism, and resignation for work in other sectors.

As Daniel Pink argues in his seminal book *Drive*, the three elements that motivate humans are **mastery**, **autonomy**, and **purpose**.⁷ When workers are able to find all three of these elements in their role or workplace, they are among the most satisfied, innovative, and committed, regardless of payscale. Roles in public finance have the inherent potential to fulfill these elements; however, currently our organizations are not resourced, structured, and led in ways that maximize this potential. Outlined below is the current reality, opportunity, and potential future state for each element providing guidelines for how organizational leadership decisions can unlock opportunities to attract and retain a reinvigorated public workforce.

Rethinking Recruitment and Retention: Supporting Mastery and Professional Growth for Public Finance Professionals

Mastery is the desire to improve and grow. When humans are driven by mastery, they often see their potential as unlimited and difficult challenges as opportunities to grow. Those seeking mastery seek to improve their skills through learning and practice, and they experience satisfaction when they learn and execute a new process or project; that achievement, and the acknowledgment of their mastery from peers and supervisors, supports job satisfaction and longevity. Mastery is supported by ensuring that employees are set up for success in some basic functions of their work, and that they have the opportunity to intentionally engage in stretch tasks and projects, with ample opportunity for quality feedback, coaching, and praise.

Local government workforces are currently experiencing a “silver tsunami” of retirements, and with that, the departure of individuals who may be the sole information-holders for particular processes and practices within their organizations.⁸ As this wave of retirement continues, local governments need to recruit, train, and retain new talent to fill these vacancies and carry forward essential services. Additionally, the changing landscape of government stemming from a global economy, more legislation, and the expansion of government services has created the necessity for a workforce with more education and skills. According to the results of a survey conducted by Pew Research Center, “Employment in jobs requiring average or above-average levels of social skills, such as interpersonal, communications or management skills, increased 83% from 1980 to 2015. Meanwhile, employment in jobs requiring higher levels of analytical skills, such as critical thinking and computer use, increased 77%.”⁹ Government jobs are simultaneously being vacated without adequate succession planning to ensure that the basics of a role can be fulfilled by a new employee and increasing in complexity, making mastery even more challenging to achieve in local government work.

Local governments can take a few key actions to set new and continuing employees up for success and mastery as aging colleagues move to retirement. Additionally, recruitment efforts must be modernized to attract and support mastery for new employees. In addition to a systems shift to support more flexibility

⁷ Pink, Daniel. *Drive: The Surprising Truth About What Motivates Us*. 2009.

⁸ Meyers, K. (2021, August 1). Preparing for the Silver Tsunami with Succession Planning. <https://icma.org/articles/pm-magazine/preparing-silver-tsunami-succession-planning>

⁹ Pew Research Center, October, 2016, “The State of American Jobs: How the shifting economic landscape is reshaping work and society and affecting the way people think about the skills and training they need to get ahead.”

(outlined in the section on autonomy below), recruitment and retention efforts should focus on setting new employees up to achieve mastery, further motivating growth and improvement.

- **Implementing new technology to replace antiquated and manually updated systems.** While many local governments are already leveraging new technology as part of the HR and payroll processes, modern technology also allows the local government to focus on hiring for the skills of the future as well as reduce less efficient positions focused on data entry over data analysis. Enterprise Asset Management (EAM) and other organization-wide systems enable workers to quickly execute more menial tasks, supporting early mastery, to focus on more complex problems. Likewise, higher-skilled employees can use current technological solutions to perform tasks that are more engaging and meaningful to operations which are tied to employee satisfaction.
- **Provide more transparency about job progression pathways.** Another very important component of talent acquisition is providing information on the opportunities available for development and advancement. Local governments should take the initiative to communicate this information to talent by outlining career paths available to candidates. Highly skilled finance professionals are in demand in both the public and private sectors, making it critical for local governments to be more competitive by offering professional growth and advancement. Lattice conducted a Career Progression Survey that found that 37% of Gen Z employees and 25% of Millennial employees are currently looking for a job that offers career progression transparency.¹⁰ This transparency enables job mastery by providing employees with a sense of professional direction.
- **Rethink career ladders to build in cross-functional job development.** Career ladders, which are a series of progressively higher positions, provide one approach to addressing the issue of a lack of opportunity for advancement that has become synonymous with local government work. Many local governments have adopted serial career ladders to incentivize employees to continue to obtain knowledge and information in their functional area with the goal of general mastery, providing an opportunity to advance based on merit and performance. However, restrictions due to funding and other policies may limit advancement regardless of skill. For example, if there are three management analyst positions with a serial ladder of I, II, and III, but capacity and work of the department may only allow for one Management Analyst III, the other analysts will not be able to achieve the same recognition for mastery despite the ladder. Instead, a career lattice—a career progression pathway that allows for vertical, horizontal, and diagonal movement—promotes inter-departmental growth. Shifting the career ladder from serial advancement within the same job function, finance and budget professionals would benefit from broader access to opportunities that cross functional areas in local government, utilize facilitation tactics, require strategic thinking and advanced problem solving. Even if a professional does not desire to move outside of budget and finance these skills are important to help provide situational context and information for a variety of policies, proposals and analysis to help explain significant operational variances. Providing opportunities for leadership at all levels of the organization and cross-functional teams where titles and departments are de-emphasized, but solving the issue at hand or developing an innovative approach provide exposure outside of budget and finance and ultimately will further aid in the mastery and technical knowledge of an individual’s local government experience.

¹⁰ Top Findings from Lattice’s Career Progression Survey. (n.d.).
<https://lattice.com/library/top-findings-from-lattices-career-progression-survey>

- **Create comprehensive, intentional, personalized onboarding.** When done correctly, new hires should be set up for long-term success while receiving an understanding of the organization’s mission, culture, values, as well as the way that their role contributes to the organization. The process is meant to be more immersive and should extend beyond orientation and completing the standard employment forms. If the finance workforce is understaffed and strained, it is very easy to focus on getting people hired only to leave them alone with a desk full of work and no guidance. Among the many quantifiable benefits, statistics compiled by Click Boarding reveal that 69% of employees are more likely to stay with a company longer if they experienced great onboarding and just a standard onboarding process resulted in 50% more productivity in new hires.¹¹ Supervisors as well as co-workers can play an integral role in ensuring the new hard won highly skilled employee stays around to help with the current workload and be a part of future improvements. Successful onboarding includes regular check-ins from the supervisor and pairing employees with a peer to help get them acclimated. Most governments have a probationary period for new hires that can range anywhere from 3 months to a year. During this period, it is critical to support employees and ensure they are given all the tools they need to be set up for mastery.
- **Create desk manuals that hold information about rote systems and legacy processes.** Desk manuals are an integral tool in effective cross-training and in documenting institutional knowledge which can be lost over time. These manuals can be an invaluable resource for an organization at every stage, but especially when major changes such as new software implementation or policy changes occur. A good desk manual gives both instructions on performing tasks and an understanding of the methodology behind a process or procedure. In many municipalities, a process has been done the same way for decades and the reason behind it has been lost over the years. This creates inefficiencies because employees may not know how to improve the process, troubleshoot if there is a problem or know when to re-evaluate certain reference information to update it. For example, not knowing how financial software posts transactions. If and when a new software is implemented, current staff will have to spend time deconstructing the process in order to ensure it is properly handled in the new system. A well constructed desk manual can reduce waste, improve efficiency and give new employees a foundation for future success.

Rethinking Workforce Processes and Practices: Supporting Autonomy for the Finance Professional

As human beings, we find comfort in being in control of our own lives, to be able to determine what we do, who we do it with, and when we do it. In reference to Pink’s framework in Drive, autonomy, the ability to make our own decisions, motivates us to think creatively and try new approaches.¹²

Management styles in local government offices are places where traditional “manage by walking around” is often employed. And while there are ample opportunities for collaboration between colleagues, significant portions of finance professional work is sole-contributor work done on the computer, work that

¹¹ Hirsch. (2017, August 10). Don’t Underestimate the Importance of Good Onboarding.

<https://www.shrm.org/resourcesandtools/hr-topics/talent-acquisition/pages/dont-underestimate-the-importance-of-effectiv-e-onboarding.aspx>

¹² Pink, Daniel. Drive: The Surprising Truth About What Motivates Us. 2009.

does not necessarily benefit from being done in a noisy or busy workplace. Finance professionals are rarely public-facing save for particular times of the month, yet are expected to be in office from 40 hours a week.

Additionally, because local governments have generally provided employees with a more affordable or lucrative benefits package and often a substantial retirement benefit when compared with other industries, wages are often lower. While it is unrealistic to expect public sector wages to match private sector wages by 2030, there are other items to explore that could improve retention efforts and encourage employees to remain in local government finance.

But local government, especially following the forced experimentation of the COVID-19 pandemic, has an inherent opportunity for increased workforce autonomy. By rethinking traditional ideas centered around controlling the workforce—traditional career ladders, working exclusively from the office, strict dress codes, regular office hours, micromanaged work plans—local governments can increase staff autonomy, build trust, and improve services and staff retention.

- **Move away from traditional Civil Service structure.** The Civil Service structure is used differently across states, usually with municipalities having the option to have further procedures and regulations as approved by their respective charter or statutes. The original purpose for civil service was to help ensure the most qualified people were able to gain employment compared to the nepotism that plagued all forms of government in the late 19th century. While this was reformed at the federal level in 1978, at the local level, the system remains rule-bound, differs across jurisdictions, and largely rewards seniority over merit and performance. The future of the local government workforce would benefit from additional flexibility and/or a system that emphasized not only knowledge easily acquired through a standardized test, but a measure of one's ability to learn and grow in the current role and beyond. Non-civil service based local governments have implemented modern recruitment techniques and candidates can fairly be assessed for skills, organizational fit, and much more.
- **Collaboratively create work plans.** To begin, all levels of employees should have components of the job that are self-directed. In addition to comprehensive onboarding, identifying certain tasks and functions that are self-directed will ensure that individual employees feel valued and clear on their tasks. Autonomy can be achieved in a variety of different ways, but it also does not require complete organization buy-in. This is something that can occur with supervisors or department heads. Functions can be identified through brief brainstorming sessions with employees and formalized through charts, procedures or manuals. With some intentional efforts, this work can be achieved relatively easily and have a positive impact on overall employee satisfaction and retention. This allows employees to be part of decision making, think beyond an organizational chart, and learn through hands-on experience.
- **Offer more flexible work schedules and work locations.** The vast majority of local governments were forced to embrace new technologies during the COVID-19 pandemic that allowed for increased physical autonomy. With the reality of children engaging in remote learning, the past three years have also illustrated the real demands on working parents, especially working women. A recent survey by GFOA revealed that 68% of the nation's top local government finance professionals are women.¹³ Given cultural norms and expectations related to

¹³ ICMA. (2022, June). Representation of Women in Local Government Financial Leadership. <https://www.gfoa.org/materials/diversity-dashboard-release>

women as caretakers, flexible work schedules coupled with the ability to occasionally or regularly work from home will support female financial professionals to feel a level of autonomy in their work.

- ***Provide more opportunities for networking and learning.*** During times of economic concern, most local governments limit or suspend most types of travel and training. Another key, and relatively affordable, retention mechanism is providing employees the opportunity for training and professional development. This should be built into an employee's work plan, part of the regular performance conversations, and supplement the work that is assigned. Employees should have opportunities to receive quality feedback on performance and also have opportunities to grow, stretch, and explore other components of local government operations.

By laying the structural foundation for greater workforce autonomy and creativity, the public financial workforce can attract new talent and retain employees who feel valued and trusted in their work.

Rethinking Organizational Leadership: Creating and Maintaining Purpose for the Finance Professional

It is human nature to seek purpose and meaning. Countless studies have demonstrated that not only do we seek overarching purpose, but we also crave daily purpose.¹⁴ As humans, we desire for each day to matter, achieving outcomes we care about. Research indicates that those who can articulate their purpose and connect it to their daily actions and decisions are far more satisfied, more adaptable, more creative, and may even live longer.¹⁵ It is natural to conclude that jobs and workplaces that provide and actively bolster a sense of purpose, reap these benefits within their workforce.

Currently, local government organizations and finance departments rely on the sense of individual purpose a worker brings into their job at the outset—to serve their community, to ensure efficient and effective use of taxpayer dollars. Processes and systems do not often change, and finance professionals are often not included in larger conversations about organization-wide process change, despite being in the “engine room” of local government. This leads to a workforce that does a number of discrete and siloed “invisible” tasks, is often at the beck and call of other departments, and is often pulled into reactionary work to fix problems caused by poorly run processes in other departments. The work is not often contextualized beyond being an “internal service” and, therefore, lacks meaningful branding.

But local government work is inherently purposeful and strategic. Professionals enter with the above mentioned personal convictions, and the work itself can easily be connected to positive public impact. Local government leadership should capitalize on this inherent motivation by:

- ***Better articulating the purpose, impact, and potential of public finance work:*** Finance is the engine room of the local government body; all the work that a local government is able to do depends on analysis and work done by finance staff. By better articulating and verbally sharing at all levels the connections between the finance tasks and the services provided to the public,

¹⁴ Hill et al. (2016, September). The Value of a Purposeful Life: Sense of Purpose Predicts Greater Income and Net Worth. DOI:10.1016/j.jrp.2016.07.003

¹⁵ Vedantam, Shankar. (2022). You 2.0 Cultivating Your Purpose. Hidden Brain Podcast. <https://hiddenbrain.org/podcast/cultivating-your-purpose/>

organizational leadership can continually imbue finance professionals with purpose and an understanding of their impact. Rather than assuming that workers have a sense of purpose, organizational leaders should reiterate purpose regularly and point out positive impacts; they should take the time to draw the causal connections between the sometimes “invisible” work of finance to the felt experience of residents and stakeholders. This will reinforce inherent purpose and serve to remind the workforce of their invaluable contributions.

- ***Engaging finance professionals in strategic planning, linking finance to organizational direction and goals:*** Finance professionals have knowledge and skills that would set them up to have an impact outside of their discrete budgeting and accounting work, creating further purpose in their roles. With knowledge of local, state, and federal fiscal policies, finance professionals hold information that can help to unlock and rethink how governments fund and maintain services. Additionally, they have an intimate knowledge of the realities of revenues and expenditures, the ebb and flow of resources into and out of the organization, and modeling and predictive analytics that can support strategic decision-making. Finance directors and chief financial officers are often included in these strategic conversations; however, including other finance professionals provide opportunities for them to share their knowledge and skills and support a strategic plan tied more intimately to the financial realities the organization faces and the financial opportunities that may be available.
- ***Making public finance work more interdisciplinary:*** Currently, finance professionals are divided into accounting professionals or budgeting professionals, two sides to a system of predicted and actual debits and credits. While this work can be rewarding for its penchant for mastery (discussed below), it can actively counteract feelings of purpose by remaining siloed off from natural bedfellows, namely performance measurement and management, and process improvement. These are all dimensions of work that the public sector is increasingly adopting as a way to become more efficient, effective, and equitable organizations. However, local governments often place this work within the Executive, Administrative Services, or even within a specific department. This misses an opportunity to leverage the knowledge in tracking and monitoring revenues and expenditures that finance professionals already possess and it fails to ensure that progress monitoring tracks both goals and dollars spent. Some finance departments (City of Tacoma, WA and City of Bellevue, WA) have, successfully and to the benefit of purpose-building and attracting a younger interdisciplinary workforce, evolved into offices of Budget and Performance or Finance and Asset Management. These interdisciplinary departments are increasingly staffed by analysts, who bring a level of skill and adaptability that can be leveraged across workstreams.
- ***Developing public finance professionals as organization-wide learning leaders:*** While finance is an internal service and having a centralized finance department is essential for ensuring organization-wide processes and procedures, a great deal of the work of finance or work that flows into finance happens within different departments. Consequently, finance professionals hold knowledge and skills that can be helpful to their colleagues across the organization. By positioning finance professionals as learning leaders for staff across the organization, leadership can imbue finance roles with a new sense of purpose and responsibility, as well as a pathway for proactively training staff on processes and tools that will prevent the need for reactive problem-fixing down the line. This highlighting of finance professionals’ knowledge and actively showcasing it as a value to the entire organization bolsters purpose. Additionally, developing an overall orientation as a learning and teaching organization builds staff pride in overall organizational direction.

By moving beyond individual purpose to both articulating and structuring purpose into organizational ethos, pathos, and logos, local governments can unlock an inherent strength to attract and retain a reinvigorated and modernized financial professional workforce.

Conclusion

Connection to the NAPA Grand Challenges:

As this paper outlines, the challenges that our local governments face are not neatly compartmentalized; they are, instead, intertwined. Local governments must acknowledge and act with this interconnectedness in mind, and be ready to take on more than one challenge at once. A locality's fiscal health is a key foundation of any governmental body. Ensuring financial resiliency and long-term fiscal health protects key services and programs for vulnerable populations. Financial data is a consistent thread among all local government operations and is a tremendous tool for public engagement. Transparency in both financial operations and policy-making encourages public engagement and promotes equity. And ensuring that our organizations attract, retain, and develop a dynamic and modern workforce is the lynchpin to challenging our profession's perpetual and systemic challenges.

Many local governments are expressing an interest in equity. Local government finance officials are being tasked with incorporating equity into budget processes, policies, and decisions. Additionally, there is a direct correlation between equity and transparency. Often it is expected that the funds allocated toward equity initiatives are publicly published in an easily interpreted format. However, local governments face significant structural constraints in achieving these goals, and need to develop new technical and process tools to address these public goals.

In the future, it is likely that finance officials will continue to need to find ways to do more with less resources. The trend toward greater transparency and equity within finance will continue to gain momentum. While this is fantastic from a public interest perspective, municipal leaders will need to acknowledge and support the costs associated with these goals. In addition to these initiatives, finance officers must be prepared to address the increased costs associated with long term liabilities, labor costs, utilities fees, services, and supplies.

In addition to planning and budgeting for the above, local governments are struggling with informing the public about how increased fixed costs directly impact the services and programming they receive. Many localities with high pension and OPEB costs have diverse populations with varying backgrounds and education levels. Local government leadership has an obligation to explain complex financial issues in a way that the taxpayers can understand. Localities must be prepared to create documents in multiple languages that are written in a manner that a variety of education levels can understand.

In closing, it is essential that we encourage all local, tribal, and state governments to continue to not just talk, but plan for fiscal resilience, to heavily invest in their engagement strategies, and to focus on workforce pipelines and pathways.