

# GFOA – National Perspective



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Government Finance Officers Association  
Of the United States and Canada

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# My Goals for GFOA

- Build on work of GFOA's Standing Committees – best practices and advisories as core mission
- Provide resources, tools, and skill-building opportunities to members
- Attract the next generation of government finance officers
- Improve communication on the work of GFOA and its members

# GFOA Provides a Host of Services



- National Training, e.g. CPFO
- Best Practices, Public Policy Statements, Advisories
- Publications, e.g. books, Government Finance Review
- Consulting Services
- Awards Programs
  - Distinguished Budget Presentation, Financial Reporting
  - Awards for Excellence in Government Finance
- Federal Government activities in Washington DC

# GFOA Standing Committees

- Accounting, Auditing, and Financial Reporting
- Budgeting and Fiscal Policy
- Canadian Issues
- Debt Management
- Economic Development and Capital Planning
- Retirement and Benefits Administration
- Treasury and Investment Management





*The Government Accountability Office reports that local governments face a \$225 billion structural budget deficit... Addressing these shortfalls will require a commitment to permanent structural changes rather than one-time savings*

**Public Management  
September 2011**



*City governments are expected to see revenue declines for the fifth consecutive year – and the situation may not improve for several more, according to a new [study](#) by the National League of Cities.*

**Governing**  
**September 2011**



*Cities' reserves have decreased three years in a row and are down 40 percent from their pre-recession peak.*

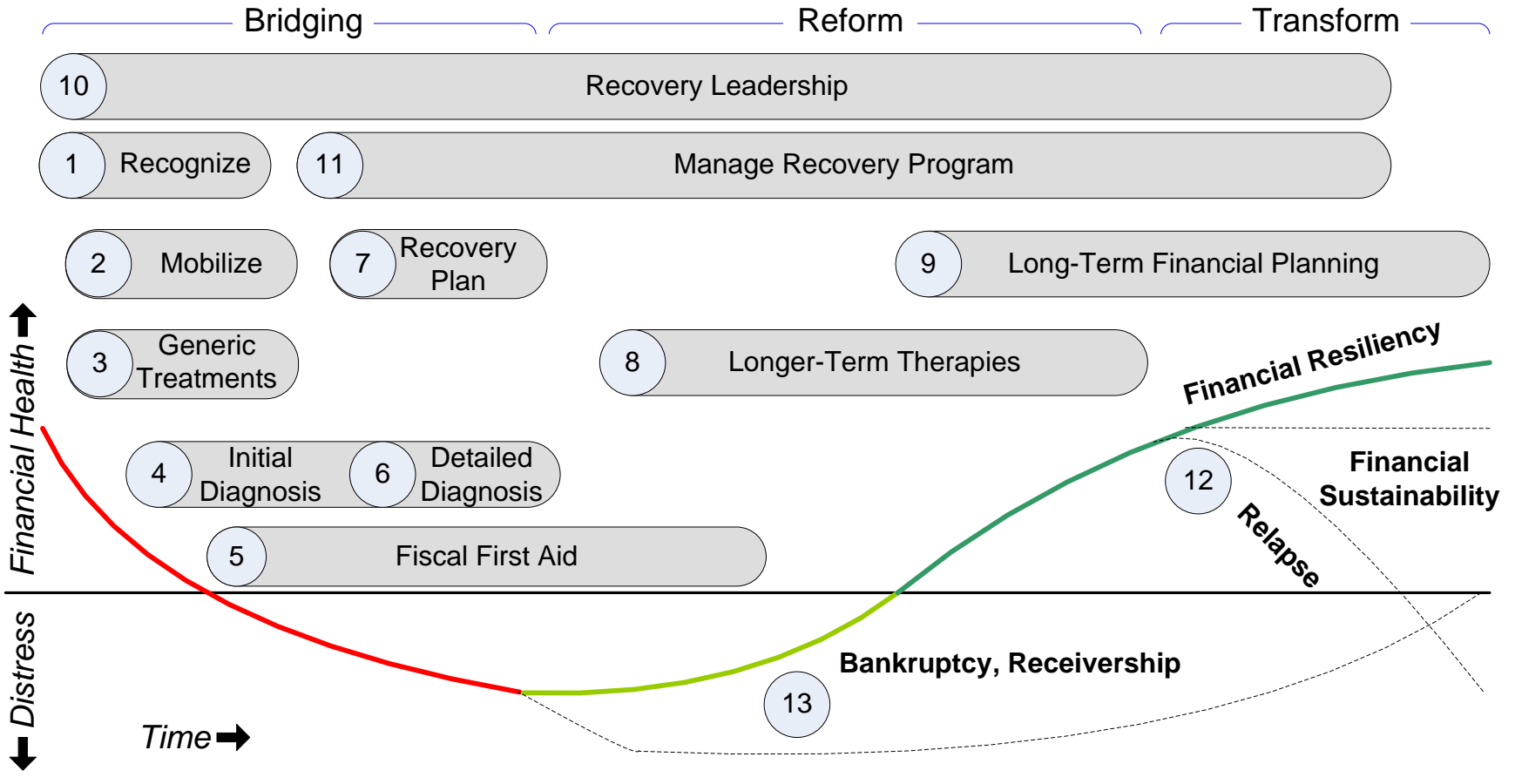
**Governing**  
September 2011



# GFOA's Process for Recovery from Financial Distress



## Stages of Financial Recovery



Decline

Distress

Stabilization

Recovery

Financial Health

## **Stages of Financial Condition**

# Financial Strategies

- Political/Internal
  - Adopt financial policies
  - Improve teamwork
  - Re-organize
  - Program inventory & review
- Technical/Internal
  - Reform budget process
  - Make innovation a discipline
  - Lean process improvement
  - Variance modeling
  - Program Inventory
- Political/External
  - Mandate review
  - Understand citizens' service priorities
  - Align new revenues with citizen preferences
- Technical/External
  - Economic Development
  - Inflation indexing of fees
  - Pension reform
  - Metro area restructuring



# Keys to Transformation

- Institutionalize long-term financial planning
- Become better able to withstand outside shocks
- Become more adaptable to a changing environment
- Become better able to recover from problems
- In a word...become “resilient”
- Visit “Step 12” for free resiliency whitepaper

# Long Term Financial Planning - Resources



# Generational Change Report



## Generational

Prepared by:  
Government Finance Officers Association  
Research and Consulting Center



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[http://www.gfoa.org/  
downloads/GFOA\\_  
GenChangeReport  
FINAL.pdf](http://www.gfoa.org/downloads/GFOA_GenChangeReport_FINAL.pdf)

# Performance Management Report Released 2010



[www.pmcommission.org](http://www.pmcommission.org)

# CIPFA-GFOA Financial Management Model



- Provide tool to help assess financial management acumen and chart a path for improvement
- Make the tool a “self-assessment”
- Create a unique tool built off of “best practices”
- Borrow rather than build



# Essential Characteristics

- Profile strengths and weaknesses
- Identify role and style of the finance function
- Charts a path for progressive improvement
- Encourages collaboration
  - Within the organization
  - Outside of the organization

# 3 Styles of Financial Management



1. Securing Stewardship
  - Control, accountability, regulatory requirements
2. Supporting Performance
  - Customer focus, efficiency, effectiveness
3. Enabling Transformation
  - Managing change and risk; receptive to new ideas

# 4 Management Dimensions

1. Leadership
  - Strategic direction, business management, “tone from the top”
2. People
  - Competencies and engagement of staff
3. Processes
  - Design, management and control of financial processes
4. Stakeholders
  - External and internal customer focus, relationships with those with interest in financial health

# Multi-Dimensional & Progressive



	Leadership	People	Process	Stakeholders
<b>Securing Stewardship</b>	Good Practice Statements & Questions	Good Practice Statements & Questions	Good Practice Statements & Questions	Good Practice Statements & Questions
<b>Supporting Performance</b>	Good Practice Statements & Questions	Good Practice Statements & Questions	Good Practice Statements & Questions	Good Practice Statements & Questions
<b>Enabling Transformation</b>	Good Practice Statements & Questions	Good Practice Statements & Questions	Good Practice Statements & Questions	Good Practice Statements & Questions



# The Questions

- 52 summary good practice statements across the 4 dimensions and 3 styles
  - Covers budgeting, accounting, debt, etc.
- Between 5 & 15 questions per statement
  - Key questions are highlighted
- Score each statement 0 - 4
- To help you answer the questions linked to each statement
- Prove the score by adding comments and observations

# Process Statement: The Government's financial accounting & reporting meet professional & regulatory standards



- Is effective use of fund accounting made by minimizing the total number of funds in use and eliminating funds that have become superfluous?
- Is an accounting system maintained that is adequate to provide the data needed for timely preparation of financial statements for the entire financial reporting entity in conformity with GAAP?
- Are financial statements issued for the entire financial reporting entity in conformity with GAAP as part of a CAFR no later than six months after the close of the fiscal period?
- Have financial statements been independently audited in accordance with either GAAS or GAS, as appropriate?
- Are accounting policies & procedures documented (e.g., a manual) & evaluated annually & updated periodically (no less than once every 3 years) according to a predetermined schedule?

# Technical Features

- Secure website
- Tailoring the language
- Survey tool and gathering evidence
- Repeat use
- Peer-to-peer discussion

REF: REPTL1

## Traffic light report using average from master survey

### Printing your report

To create a PDF of the page click on the 'Create PDF' link above.  
To print this page out click 'CTRL+P' or click on the 'Print' link above.

#### Master average scoring

Horizontal bar chart here, y axis as below, x axis 1-5 score:

Leadership average  
People average  
Processes average  
Stakeholders

Securing stewardship average  
Supporting performance average  
Enabling transformation average

#### Master coring by Management dimension/Financial management styles

Financial Management Styles:	Management dimensions:			
	Leadership	People	Processes	Stakeholders
Securing Stewardship	3.5	2.0	3.0	3.0
Supporting Performance	2.5	2.0	2.5	2.5
Enabling Transformation	2.0	1.5	2.0	2.5

#### Contributor average scoring

Horizontal bar chart here, y axis as below, x axis 1-5 score:

Leadership average  
People average  
Processes average  
Stakeholders

Securing stewardship average  
Supporting performance average  
Enabling transformation average

#### Contributor scoring by Management dimension/Financial management styles

Financial Management Styles:	Management dimensions:			
	Leadership	People	Processes	Stakeholders
Securing Stewardship	3.5	2.0	3.0	3.0
Supporting Performance	2.5	2.0	2.5	2.5
Enabling Transformation	2.0	1.5	2.0	2.5

# Legislative update

## SUPER Committee



- Super Committee - Must find \$1.4Trillion/10 Years in cuts or automatic cuts enacted Jan. 2013
  - Proposal Submitted to Congress by 11/23
  - Congress Votes (with no Amendments) on Proposal by 12/23
- S/L Program Cuts are Very Likely
- Tax & Entitlement Reforms – Unlikely, But Could Hit Fringes

# 3% Withholding - REPEAL



- S.89 and S.164
  - No VA Co-Sponsors
- H.R. 674 – **Floor Vote in October**
  - Co-Sponsors:
    - Connolly, Forbes, Hurt, Moran, Rigell, Wittman, Wolf
  - Passed out of House Ways & Means last week
- Website [RepealWithholdingNow.com](http://RepealWithholdingNow.com)
- Contact Representatives and Encourage Them to Vote YES for H.R. 674!

# Employer Provided Cell Phones



- New Guidelines Do NOT Consider Cell Phones To Be a Taxable Fringe Benefit
  - Treated Similar to “Desk” Phones
  - Must Demonstrate Need for Employee to Have a Cell Phone
- Allows Also For Reimbursement to Employee for Employee Cell Phones
  - Can’t Deviate from Normal Usage
- More Information on GFOA’s Web Site

# Tax Legislation

- Major Tax Reform: Areas of Concern
  - Eliminate Tax-Exemption on Muni Bonds
    - President's Deficit Commission (Nov. 2010)
    - Bi-Partisan Tax Fairness and Simplification Act (S. 727)
  - Minimize Deduction of Muni Interest for >\$200/250K Taxpayers
    - President's JOBS Proposal
  - Eliminate/Minimize State and Local Tax Deductions
  - Change Mortgage Interest and Charitable Deductions

# Pre-Emption of Telecommunication Taxes



- H.R.1002 and S. 543 - Wireless Tax Fairness Act of 2011
  - Co-Sponsors: Sen. Webb, Reps. Forbes, Hurt & Wittman
  - Pre-empt for 5 years any new S/L Government Taxes on Wireless Communications
    - Would preempt state and local taxing authority
    - Represents a federal intrusion into historically-protected state and local tax classifications
    - Other industries could seek similar special federal protection from state and local taxes
  - House Vote Expected – Under Suspension – in Late-October



# Internet Sales Tax Collection

- ❑ Federal Legislation, S. 1452 and H.R. 2701
  - Provides for Mandatory Collection of Taxes on Remote Sales
  - No VA Co-Sponsors
- States Looking to Solve Problem, Independent of Federal Action
- VA Not a SST Member, but Participates in SST Meetings/Activities

# **GASB Pension Changes**

## **Positive factors of Exposure Draft**



- Continued use of the long-term rate of return (rather than risk-free) on plan investments for discounting
- Amortization over remaining active service life of affected employees
  - Including immediate recognition in the case of inactive employees and retirees

# Negative factors of Exposure Draft

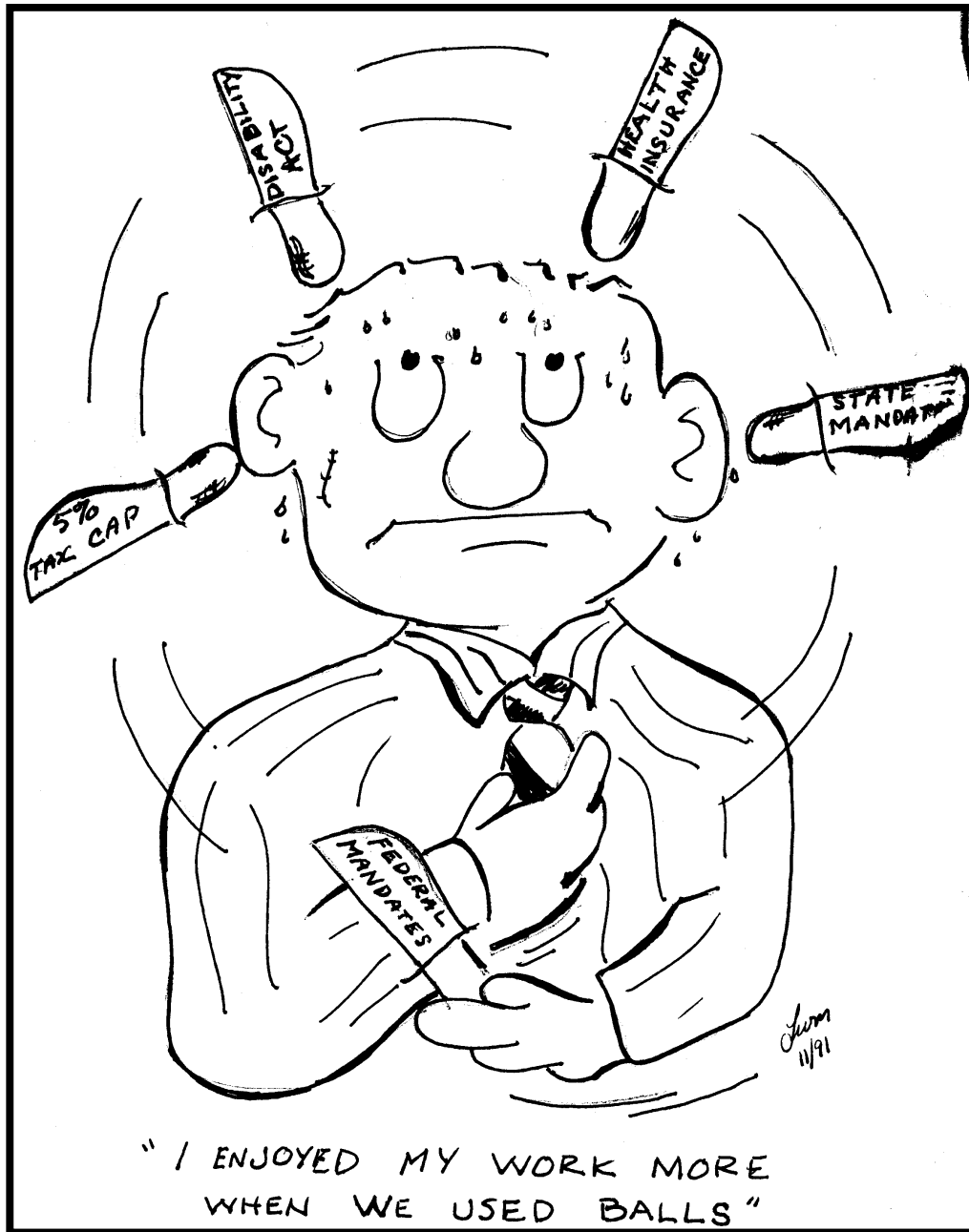


- Abandoning the employer's ARC as the basis for measuring pension cost
- Requiring individual employers in a cost-sharing plan to report a proportionate share of the total net liability and expense of all participating employers

# Choice of actuarial method critical issue



- GFOA opposes mandating a method that could differ from method used for funding
  - Single most important fact is whether the employer is funding the cost of benefits in a systematic and rational manner
  - Separating accounting from funding frustrates this purpose and compromises the utility of the information for decisions





# New Model for Leadership

- Pick up on subtle indicators to predict trends
- Constantly focus on the horizon
- See and articulate a path even when in the midst of rapid change and chaos
- Rigorously evaluate what works and what doesn't
- Lead across sector boundaries (public, private, and non-profit), intergovernmental systems and organizational divisions
- Commit to continuous learning and improvement

Adapted from “A New Model for Management” Public Management September 2011

# Suggestions for Involvement at the National Level



- GAAP Update – November 3, 2011
- Attend the Annual Conference: Chicago, June 10 - 13
- Enroll in the Advanced Government Finance Institute
  - Summer 2012 at the University of Wisconsin-Madison
- Get involved in other GFOA activities
  - Standing committees
  - Budget & CAFR reviewers
  - Awards Programs
  - Write articles for GFOA's publications



Government Finance Officers Association



**THANK  
YOU**

for making  
us nearly  
**17,400**  
members strong!

career  
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