

Financial Management for Local Governments

**Compiled by Robert Salmon
Clarion University of Pennsylvania
School of Library Science**

**Rural Information Center Publication Series, No. 67
Revised Edition**



**Rural
Information
Center**



The **Rural Information Center** (RIC) is a joint project of the USDA Cooperative State Research, Education & Extension Service and the National Agricultural Library (NAL). RIC provides information and referral services to local government officials, community organizations, health professionals and organizations, cooperatives, libraries, businesses, and rural citizens working to maintain the vitality of America's rural areas. The Center combines the technical, subject-matter expertise of Extension's nationwide educational network with the information specialists and resources of the world's foremost agricultural library.

The Office of Rural Health Policy in the Department of Health and Human Services (DHHS) and the NAL jointly created a Rural Information Center Health Service (RICHS) as part of the RIC. RICHS collects and disseminates information on rural health issues, research findings related to rural health, and innovative approaches to the delivery of rural health care services.

SERVICES:

Provide customized information products to specific inquiries including assistance in economic revitalization issues; local government planning projects; rural health issues; funding sources; and other related issues for the purpose of monitoring the quality of rural life.

Process a broad array of general and funding information requests on such topics as:

- ! Successful strategies, models, and case studies of community development projects
- ! Small business attraction, retention, and expansion
- ! Tourism promotion and development
- ! Recycling programs
- ! Community water quality
- ! Technology transfer to rural areas
- ! Closures, restructuring and diversification of rural hospital and clinics
- ! Agricultural health and safety
- ! Health programs, services, personnel issues
- ! State initiatives concerning rural health delivery issues

Refer users to organizations or experts in the field who can provide additional information.

Perform brief database searches of requested topics on a complimentary basis.

Furnish bibliographies and Rural Information Center Publication Series titles.

Identify current USDA and DHHS research and Cooperative Extension Systems programs.

1-800-633-7701

USDA Rural Information Center, National Agriculture Library

10301 Baltimore Avenue, Room 304

Beltsville, MD 20705-2351

<http://www.nal.usda.gov/ric>

ric@nal.usda.gov

CONTENTS

INTRODUCTION	vii
GENERAL	
FINANCIAL MANAGEMENT	1
FINANCING	3
LEADERSHIP	4
STRATEGIC PLANNING	5
TOTAL QUALITY MANAGEMENT	6
CASE STUDIES	9
ORGANIZATIONS	11
JOURNALS	13
DOCUMENT DELIVERY SERVICES FOR INDIVIDUALS	15

This publication contains material that is considered accurate, readable and available. The opinions expressed in this publication do not necessarily reflect the views of the United States Department of Agriculture. Inclusion of publications and software databases in this publication does not imply product endorsement.

INTRODUCTION

This publication attempts to give decision makers in local government options to consider as they deal with the complex and ever changing questions of financing for the local community. Financial management encompasses many aspects. When working in this field, it is evident that many factors play a role and need to be considered. This guide gives local government officials quick access to a framework of ideas and suggestions that work within the hierarchy of financial management.

Local governments must provide a greater number of services without adequate, if any, budgetary increases. Limited or no staff, low population density, and part-time volunteer public officials are three of the most common elements that make the job of rural local government officials more daunting.

These characteristics are often seen as obstacles, but many documented examples show instances where governments with vision are able to change these characteristics into strengths, creating a viable rural community.

A common thread that is evident in many financially sound local governments is effective utilization of human resources. One expert suggests that a commitment to improve management capacity is one of the most effective actions that can be taken by rural local governments.

National Agricultural Library (NAL) call numbers (book numbers) are provided for items that are owned by NAL and may be borrowed from the library through interlibrary loan. For this service, refer to the *Document Delivery Services for Individuals* (borrowing policy) in this document for information on obtaining those documents. For other documents we suggest first checking with your local public or college library.

GENERAL

Many suggest that the primary issue facing local governments throughout the United States is economic development. Although frequently examined, this issue that economic development seems a fundamental to the financial

management of local government. Without a clear picture of the financial strengths and potential weaknesses of the buying power of a government, development will be much more difficult.

ELEMENTS NEEDED FOR EFFECTIVE MANAGEMENT

! ANTICIPATE AND INFLUENCE CHANGE

! MAKE INFORMED DECISIONS ABOUT POLICY

! ATTRACT AND ABSORB RESOURCES

! MANAGE RESOURCES

! EVALUATE CURRENT ACTIVITIES TO GUIDE FUTURE ACTION

Financial Management

1

"Cutbacks in the Country: Retrenchment in Rural Villages, Townships, and Counties." Susan A. MacManus and William J. Pammer Jr. *Public Administration Quarterly*, Vol. 14, Fall 1990, pp. 302-323.

This study provides a look at the reaction of urban and rural governments to federal budgetary cutbacks over the last ten to fifteen years. By using surveys and statistical analysis, the authors conclude that each type of government does react differently to fiscal constraints. Local governments are more apt to retrench by cutting resources, while urban governments focus on expanding the revenue base.

2

Financial Market Intervention as a Rural Development Strategy. ERS Staff Report No. AGES 9070. Washington, DC: Agriculture and Rural Economy Division, Economic Research Service, U.S. Department of Agriculture, 93 p. NAL Call No.: aHN90.C6F5.

The Federal Government is involved in rural financial markets in a number of ways to ensure the safety and soundness of the financial services delivery system. They also further a variety of policy objectives that are related to rural financial markets. This report is concerned with the usefulness of Federal

intervention in rural financial markets as a mechanism for fostering rural development.

3

Long-Term Financial Planning: Creative Strategies for Local Government. Jeffrey I. Chapman, ed. Creative Strategies for Practical Management Series. Washington, DC: International City Management Association, 1987. 188 p.

This book provides a foundation for long-term financial management, taking a look at what local governments can expect in the financial future; describing successful planning, budgeting, and forecasting techniques; and looking at a few potential revenue sources that are often overlooked.

4

Public Administration in Rural Areas and Small Jurisdictions: A Guide to the Literature. Beth Walter Honadle. New York: Garland Publishing Co., 1983. 14 p. NAL Call No.: Z7164.L8H726.

Although methods of management and financial programs come and go, it is useful to be able to have a glimpse of the prevailing attitudes and ideas of times past. This guide to the literature has detailed listings of monographs and journal articles pertaining to Financial Management and Budgeting, Public Finance, Planning, Federal and State Grant Programs, and a host of other topics.

5

Reinventing Government, How Entrepreneurial Spirit is Transforming the Public Sector. David E. Osborne and Ted Gaebler. Reading, MA: Addison Wesley, 1992. 408 p. NAL Call No.: JK469.082 1992.

The authors attempt to show what is being done in governments of all shapes and sizes to maximize programs and services while cutting down on expenditures.

6

Risk Management Today: A How-to Guide for Local Government. Natalie Wasserman and Dean G. Phelus, eds. Creative Strategies for Practical Management Series. Washington, DC: International City Management Association, 1985. 168 p.

This book is designed to provide an overview of risk management by exploring its various components and special areas of concern. Material was selected to provide a basic understanding of the issues and to offer direction and ideas. It guides the reader through the major steps of the risk management process. It emphasizes the importance of the risk management process to the financial security of public agencies.

7

Small Cities and Counties: A Guide to Managing Services. James M. Banovetz, ed. Washington, D.C.: International City Management Association, 1984. 356 p. NAL Call No.: HD4431.S74.

This book details all aspects of the processes involved in managing local governments. Of particular relevance is Chapter Twelve, which details the factors which need to be considered before the fiscal year, during the fiscal year, and after the fiscal year.

8

"Small City and Rural Governance: The Changing Environment." Beverly A. Cigler. *Public Administration Review*. Vol. 44, November/December 1984, pp. 540-545.

In researching this topic, Ms. Cigler found a lack of literature dedicated to this topic. Although written in 1984, its portrayal of the forum of policy discussion for local governments represents the present state of affairs. The book stresses a multitude of services, which focus mainly on dealing with a dwindling budget.

! PLAN !

A clearly defined plan must be understood by all participants in the proposed budget reform.

! MANAGEMENT !

Understanding the elements that make up the budgetary process.

! CONTROL !

Orchestrating the controllable cost elements of the budget and looking ahead to project future cost/revenue questions.

! IMPLEMENTATION !

Clear measurable performance goals are

Financing

9

A Guide to Funding Resources. Melanie Gardner. Rural Information Center Publication Series, no. 38. Beltsville, MD: Rural Information Center, National Agricultural Library, 1994. 40 p.

This is a compilation of sources from both government and private sources for funding opportunities available to local governments, small business, organizations, associations, groups, and individuals. It includes: grants and funding, information on the grantseeking process, analyses of grantmaking programs, tips for proposal writing and presentation development, and bibliographies of additional resources. For a free copy, call the Rural Information Center, (800) 633-7701.

10

Availability of Capital in Rural America: Problems and Options. Deborah Markley. Washington, DC: National Governor's Association, 1988, 49 p. NAL Call No.: HN90.C6M37.

Prepared by the National Governor's Association Special Task Force on Rural Development. This rural development in the United States. It focuses on the availability and role of working capital, commercial credit markets and federal policy.

11

Business Finance As A Tool for Development.

Deborah Markley with Katherine McKee.

Washington DC: Aspen Institute, 1992. 91 p. NAL Call No.: HN90.C6M375.

This work describes the ideas surrounding the term development finance. It is presently regarded as taking a longer view of capital investment, and placing a higher priority on long-term change than on short term returns. This idea is complex, but it offers some innovative thoughts for combating financial difficulties. A detailed listing of contacts by state is provided in the appendix.

12

"The Changing Fiscal Structure of the State and Local Public Sector: The Impact of Tax and Expenditure Limitations." Philip G. Joyce and Daniel R. Mullins. *Public Administration Review*. Vol. 51, May/June 1991, pp. 240-253. NAL Call No.: 280.8 P964.

Examines how the relationship between the Federal, state, and local government sectors are affected by tax and expenditure limits. Particular emphasis on the role of the state as an intermediary between the federal and local levels of government.

13

"Financing Rural Governments." Richard Reeder and Clifford Rossi. In *Financial Market Intervention as a Rural Development Strategy*. ERS staff report; no. AGE9070. Washington, DC: Economic Research Service, Agriculture and Economy Division, Department of Agriculture, 1990, pp. 59-76. NAL Call No.: aHN90.C6F5.

One article in a proceedings, "Financial Market Intervention as a Rural Development Strategy" discusses the major sources of financial revenue and capital resources available to rural local government. It examines the provisions of services, financial management, capital markets, tax base and, infrastructure for small town government. It sets its analysis in the broader framework of rural development strategies.

14

"Nontraditional Revenues: Keeping the Property Tax

Under Control in a Small Town." Rodney C. Lynch. *Government Finance Review*. Vol. 7(3), June 1991, pp. 38-39. NAL Call No.: HJ9103.G62.

Briefly summarizes current trends in minimizing the rate of increase in property taxation. Indicates alternative measures and means of fiscal cost control.

15

"How Rural Local Governments Budget: The Alternative to Executive Preparation." Alvin D. Sokolow and Beth Walter Honadle. *Public Administration Review*. Vol. 44, September/October 1984, pp. 373-383. NAL Call No.: 280.8 P964.

In 1984, little systematic understanding of budgeting and other governmental activities in small and rural communities existed. This article, still pertinent, explores the budgetary process in small, local governments. Local governments vary tremendously in their treatment of the importance of budgeting as a policy.

16

"No Staff, No Time, No Money: Can Budget Reform Work in a Rural County?" James S. Massey and Gary Smith. *International Journal of Public Administration*. Vol. 15, April 1994, pp. 811-829.

Although reform can often be implemented with a limited amount of money, it is necessary for a considerable amount of staff time to be utilized in order for programs to have a legitimate opportunity to succeed. Overall objective needs to be clearly delineated in order for all participants to work toward a common goal.

Leadership

17

"From Leadership and Management Education for Local Governments." Walt Whitmer. Penn State Cooperative Extension, Paper presented at the International Conference of the Community Development Society, Lincoln, NE, 27 July 1994.

Major shifts confronting many rural and small communities are placing greater pressure on local officials to have a working knowledge of hundreds of areas important to individuals in the communities. The capacity for leadership of a local government has a direct impact on its overall performance. Difficult challenges can be overcome through effective leadership and wise use of resources. Lack of leadership serves only to exhaust the resources with little to show for their decline.

18

The Leader's Edge: The Seven Keys to Leadership in a Turbulent World. Burt Nanus. Chicago: Contemporary Books, 1989. 224 p. NAL Call No.: HD57.7.N36.

In direct response to the urgent need for leaders in the business community, Burt Nanus set out to incorporate his knowledge and experience at the Center for Futures Research to highlight the qualities and characteristics necessary for successful leadership in the fast paced world of the 1990's. This book looks into the contributions leaders can make while focusing on the visionary part of leadership. It also looks at small and large organizations, and any inherent differences between the public and private sector.

19

Leaders: The Strategies For Taking Charge. Warren Bennis and Burt Nanus. New York: Harper & Row, 1985. 244 p. NAL Call No.: HD57.7.B46.

Leadership is on everyone's mind. Doing more with less has become the norm. The pace of change is so rapid that the key has become vision: a clear and present vision of what is believed to be correct. Questioning why the organization exists, and what its goals are, is the job of the leader.

20

Leadership and the One Minute Manager: Increasing Effectiveness Through Situational Leadership. Kenneth Blanchard, Patricia Zigarmi, and Drea Zigarmi. New York, William Morrow and Company, Inc., 1985. 111 p. NAL Call No.: HD57.7.B56.

This book discusses the corporate environment of the One Minute Manager. It depicts the questioning of an entrepreneur who is interested in getting a handle on the management style which has made the One Minute Manager so successful.

21

Leadership is an Art. Max DePree. Dell Publishing: New York, 1989. 148 p.

This book does not support one single measure for successfully transforming managers into leaders; rather it suggests ideas for enabling people to do what is required of them in both a timely and rewarding manner. Through experiences and ideas, Max Depree tells the unending course often necessary to provide enlightened leadership.

22

Learning to Lead: The Art of Transforming Managers into Leaders. Jay A. Conger. San

Francisco: Jossey-Bass Publishers, 1992. 234 p. NAL Call No.: HD57.7.C665 1992.

This book takes a different approach to leadership. This work focuses on what has been tried, and analyzes what has and has not worked.

23

Team-Building. Charles Mallory. Leadership Series. Shawnee Mission, KS: National Press Publications, 1991. 63 p. NAL Call No.: HD66.M35 1991

This book discusses maximizing human resources available, and using team approaches to problems. Building efficient teams takes a good deal of patience, cooperation, trust, as well as creativity. Although the group works as a team, it is still necessary for a leader of the group to orchestrate the direction of the team. It concludes with a listing and explanation of ten common problems affecting the ability of teams to function efficiently.

Strategic Planning

Typically, strategic plans are considered by local governments looking into expanding the economic base of the community. Although this is the usual focus, it is by no means the only option. Local government leaders can also look at a strategic planning from the perspective of financial management.

In recent years much has been written about this topic, and as with many of the management techniques of the time, no set procedure is widely regarded as the best. As the literature has grown, several themes about strategic management reoccur. The framework that is listed below attempts to portray those themes.

Benefits of Strategic Planning

! Agreement from community and local government on "direction."

! Informed local government that understands the *why's*, *how's* and *when's* of the process of change.

! Better financial management with less concern for "stretching" money.

Challenges to Strategic Planning

- ! Participation and involvement from all levels county government, local government, and citizens.
- ! Feeling that the term *strategic management* is too difficult to understand and too hard to accomplish.
- ! Overcome regional traditions to select the most qualified for the positions within the strategic planning framework.

"The ecology of strategic management in small local governments." Martin Wiseman. *Public Administration Quarterly*. Vol. 17, Summer 1993, pp. 145-158. NAL Call No.: 280.8 P964.

Strategic management is an idea which was first implemented in the for-profit sector. This article sets out to extract the ideas of strategic management, and analyze them with a focus on which could effectively be applied in the environment of small or rural governments.

25

Quality is Free. Philip B. Crosby. New York: Mentor Publishing, 1980. 270 p.

Philip Crosby is considered one of the pioneers in the quality and strategic planning movement in the United States. He points out basic common sense tenants often lost in the daily pursuit to complete a job.

26

Quality without tears. Philip B. Crosby. New York: Plum, 1984. 204 p.

Crosby suggests that in order to foster quality it is necessary to avoid involvement in technical problems and focus on management concepts and the implementation of a quality improvement program. Highlighting the major elements in the improvement process: determination, education, and implementation, the work uses case histories and essays to give detailed explanations of these elements and how they interact.

27

"Strategic Planning in a Rural County: The Example of Union County, South Carolina." Alan Daniel Young. *Economic Development Review*, Vol. 11, Spring 1993, pp.18-21. NAL Call No.: HC 106.8 E25.

This article takes an in-depth look at strategic planning and focuses on its ability to work as an effective tool for strengthening a community's resolve, and potential to utilize its resources to the fullest. It uses the case study method to illustrate its various points.

Organizing, assessing the environment both internal and external, issue identification, strategy building, and implementation.

Factors to Consider

- ! Long range planning
- ! Local support, including businesses
- ! Ability of all players to work together

Total Quality Management (TQM)

A potential side benefit of incorporating TQM into the operation of local government is that a great number of small businesses have begun to practice TQM as a way of managing in order to gain a competitive edge in the marketplace. With knowledge and practice of TQM, local government and businesses share the same "language." By demonstrating efficiency, local governments present more viable partners in development, making it more attractive for businesses to locate in a particular area.

28

Excellence In Government: Total Quality Management in the 1990s. David K. Carr and Ian D. Littman. Arlington, VA: Coopers & Lybrand, 1990. 297 p. NAL Call No.: JF1411.C27.

Coopers & Lybrand is one provider of TQM implementation services to business and government. This work is an attempt to show the best that government has to offer. Coopers believes that the

chief lesson to be learned from their work is to take a comprehensive approach to TQM because success will follow.

29

"Innovation in Structural Change of Local Government." D.M. Otto and M.A. Edelman. *American Journal of Agricultural Economics*, Vol. 72(4), November 1990, pp. 1074-1080. NAL Call No.: 280.8 J822.

Employs an "induced innovations" framework to test factors affecting county government decisions to adopt alternative service delivery models. Explains size measures of population and target base, and fiscal measures of tax revenues. Indicates, using maximum likelihood estimators, that strength of tax base and careful financial planning, along with access to appropriate human capital, are significantly associated with successful structural change in local government in rural areas.

30

"Total Quality Management." John D. Morand. *Economic Development Review*. Vol. 11, Summer 1993, pp. 3-4. NAL Call No.: HC106.8.E25.2.

Over the past few years, TQM has been boldly implemented without prior consideration for the time, effort, and attention it needs to be paid. This introductory article discusses some of the major elements involved in the process and gives the reader insight into the elements involved in the process.

31

Total Quality Management: The Key to Business Improvement. Chris Hakes, ed. London: Chapman & Hall, 1991. 182 p. NAL Call No.: HD62.15.T68 1991.

This work offers an intelligent beginner's look at what is involved with TQM, and subsequently breaks the individual items apart and discusses them in great detail. Briefly stated, TQM, "is a philosophy of management that strives to make the best use of all available resources and opportunities by constant improvement."

32

Total Quality Management: Research Guide & Sourcebook. Charles Jutkiewicz, ed. Waltham, MA: Timeplace, Inc., 1991. 1 vol. NAL Call No.: HD62.15.T683 1991 Suppl. No.1.

This guide provides a detailed listing of books, articles, video, computer software, associations, publications, seminars, and consultants devoted to the idea of TQM. This is the place to start to expand your knowledge of those working with this concept.

CASE STUDIES

32

"Hanging Together." Jim Schwab. *Planning*. Vol. 56, January 1990, pp. 24-5. NAL Call No.: HT167.A42.

IMPLEMENTATION

! *Keep it simple*
! *Take one step at a time*
! *Prepare for hard work*
! *Have patience and be persistent*

This article discusses how a small town survives as a separate entity. A few years ago in Iowa, some people did not believe that their town could afford to go it alone anymore. Initially, problems of community rivalries and council members wanting to hold on to the "status quo" slowed progress, but much persistence saw this to be a viable answer to the communities problems.

33

"Institutionalized Use of Citizen Surveys in the Budgetary and Policy-making Process: A Small City Case Study." Douglas J. Watson, Robert J. Juster and Gerald W. Johnson. *Public Administration Review*, Vol. 51, May/June 1991, pp. 232-239. NAL Call No.: 280.8 P964.

Can citizen surveys be integrated into the policy, programming, and budget processes of local governments? This is the issue raised by the authors in this case study of Auburn, Alabama. They look at trends and potential for using citizen surveys, as well as potential drawbacks that often result from their adoption in governmental decision making.

34

"Is Downtown Worth Saving?" James Krohe Jr. *Planning*. Vol. 58, August 1992, pp. 10-4. NAL Call No.: HT167.A42.

This article discusses downtown areas. Economic pressure, ease of access for commuters, and a host of other items have made the fight of many downtown areas an uphill battle. When, where, and which ones are in the hands of the residents. For if anything is evident, it is that both the public and private sector need to work together if a downtown area is to survive and prosper.

ORGANIZATIONS

Financial Accounting Foundation

401 Merritt Seven
P. O. Box 5116
Norwalk, CT 06856
(203) 847-0700

Financial Accounting Foundation administers a Financial Accounting Standards Board and the Financial Accounting Standards Advisory Council. They define standards of financial accounting for state and local governmental entities, operate a library which houses the National Automated Accounting Research System and publish the Financial accounting and Government Accounting series.

Government Finance Officers Association

180 N. Michigan Ave., Suite 800
Chicago, IL 60601-7476
(312) 977-9700

They provide updates on current events, innovations, and federal legislation affecting public finance management for state and local government finance officers. Covers cash management, budgeting, accounting, auditing, public employee retirement administration, and related issues.

National Association of Comptrollers and Accounting Officers

180 N. Michigan Ave., Suite 800
Chicago, IL 60601
(312) 977-9700

Membership includes officers from city, county, state, provincial, and federal governments, along with professors, consultants, representatives from public accounting firms in the United States and Canada. They publish periodic bulletins, a monthly review, and updates on current events and trends of interest to the members.

National Center for Municipal Development

1620 I St., NW Third Floor
Washington, DC 20006
(202) 429-0160

A public interest group which represents local government interests before congressional committees and federal offices, it acts as an information source on pending legislation.

National League of Cities

1301 Pennsylvania Ave., NW
Washington, DC 20004
(202) 626-3000

National League of Cities works on the development of national municipal policy, and represents the interests of cities and towns before congressional and federal committees, commissions, and hearings. Hosts and supports the National League of Cities Institute, maintains a library, and a database of problem solving information.

National Association of Towns and Townships

1522 K St., NW, Suite 600
Washington, DC 20005
(202) 737-5200

A federation of state and municipal organizations which provides assistance on problems and issues of importance to local governments. Researches and develops policy recommendations to support the interests of small communities, sponsors conferences, training programs and annual meetings, publishes a newspaper ten times a years, and various specialty reports of interest to local public officials. They offer a listing of current books and short publication on economic development, quality of life and environmental issues as they pertain to small communities.

Urban and Regional Information Systems Association

900 Second St., NE, Suite 304
Washington, DC 20002
(202) 289-1685

This is the professional organization of Information System Professionals in state, regional, and local government. Members also include individuals from the hardware and software industries who are interested in keeping informed of the needs of government officials.

JOURNALS

These journals contain useful information about financial management. Several of these publications have theme issues where the entire issue is dedicated to one topic.

American Demographics

127 W. State St.
P.O. Box 68
Ithaca, NY 14851
(607) 273-6343
NAL Call No.: HB3505.A53

Economic Development Review

9801 W. Higgins Rd., Suite 540
Rosemont, IL 60018-4726
(708) 692-9944
NAL Call No.: HC106.8.E25

Governmental Finance

Superintendent of Documents
Government Printing Office
Washington, DC 20540-9322
(202) 512-1800
NAL Call No.: 157.41 G747

Planning

American Planning Association
1776 Massachusetts Ave., NW, Suite 400
Washington, DC 20036
NAL Call No.: HT167 A42

Public Administration Quarterly

American Society for Public Administration
1120 G St., NW, Suite 700
Washington, DC 20005
(202) 393-7878
NAL Call No.: 280.8 P964

Rural Development Perspectives

Economic Research Service, USDA
1301 New York Ave., NW
Washington, DC 20005-4789
(800) 999-6779
NAL Call No.: aHN90 C6R78