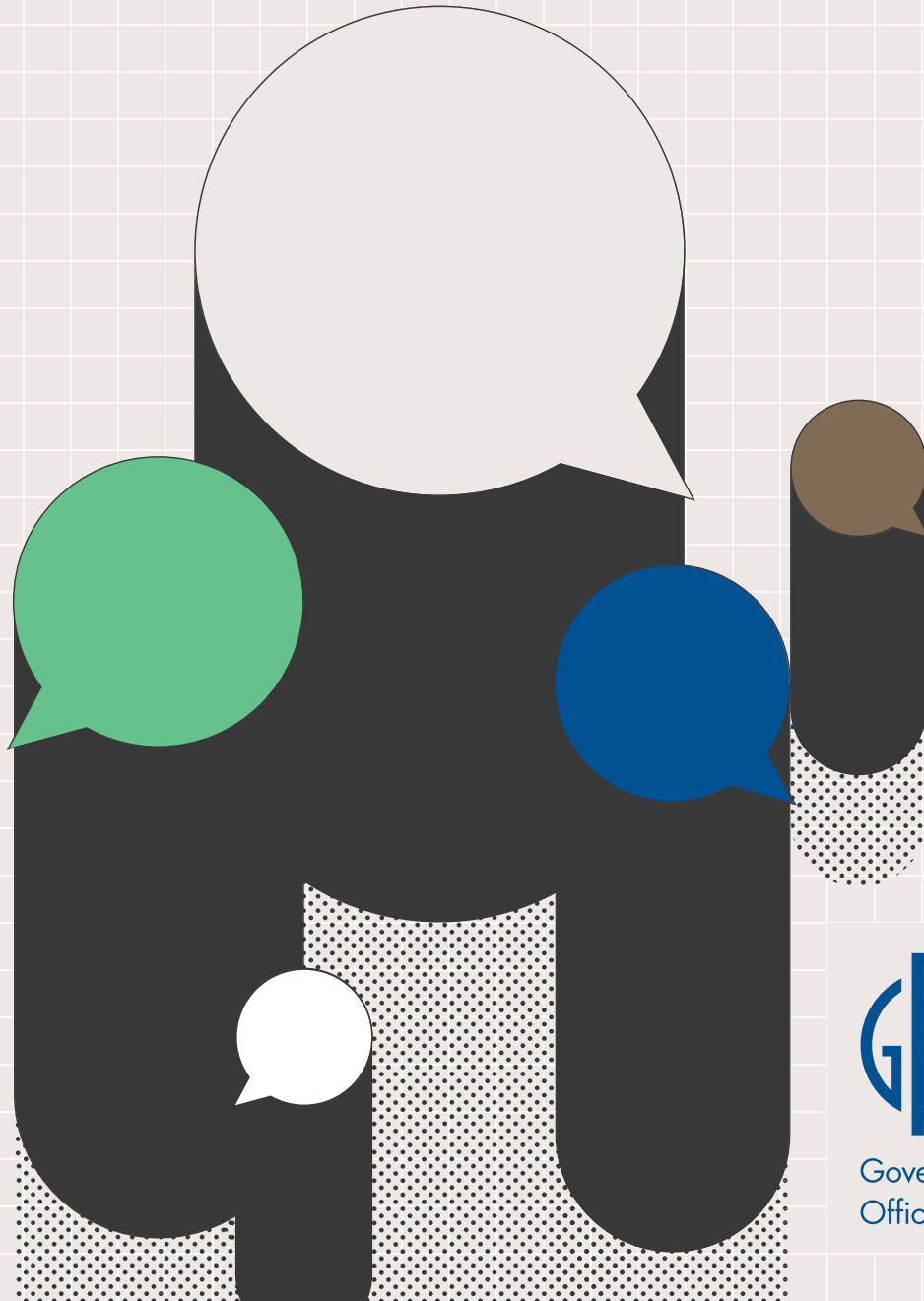


BUILDING TRUST AND OPEN COMMUNICATION

LESSONS FROM THE MOST TRUSTED PUBLIC FINANCE OFFICERS

BY SHAYNE C. KAVANAGH AND ELIZABETH FU



Government Finance
Officers Association



The Government Finance Officers Association (GFOA) represents approximately 20,000 public finance officers throughout the United States and Canada. GFOA's mission is to promote excellence in state and local government financial management. GFOA views its role as a resource, educator, facilitator, and advocate for both its members and the governments they serve and provides best practice guidance, leadership, professional development, resources and tools, networking opportunities, award programs, and advisory services.

TRUST IS EVERYTHING WHEN IT COMES TO MAINTAINING A SOLID FINANCIAL FOUNDATION FOR YOUR COMMUNITY.

People need to be able to believe what they hear about a local government’s finances. They need to believe that local leaders have the community’s best interest at heart. If people are to contribute resources to the local government, they need to trust that those resources will be transformed into something of value.

However, the public’s trust in government has eroded in recent decades. Though local government is the most trusted level of government, even it has seen trust decline from 77% of people expressing trust and confidence in 1998 to 71% in 2018. Also, we as individuals probably overestimate how trustworthy others believe us to be. A well-established psychological phenomenon called “overconfidence bias” causes us to overestimate our capabilities.¹ For instance, one study found that 50% of businesspeople surveyed thought they were in the top 10% of most ethical people.² It is not hard to believe that we might overestimate our own

trustworthiness as well. Hence, there is a good case for public finance officers to intentionally build up their own trustworthiness and that of the finance office.

To learn more about how finance officers can enhance their trustworthiness, GFOA surveyed the members of two state/provincial GFOA associations.³ We asked members to identify other finance officers in their state/province who they thought were particularly trustworthy. We then did face-to-face interviews with the finance officers who received the most nominations. We sought to learn the behaviors they engaged in that helped them to build trust with others.

We then organized our findings into the five elements of trustworthiness suggested by the GFOA’s Code of Ethics (www.gfoa.org/ethics). The Code is focused on enhancing the trustworthiness of the local government finance office. In this paper, we will focus on what we learned about each.

The GFOA Code of Ethics



**INTEGRITY
AND
HONESTY**



**PRODUCING
RESULTS
FOR YOUR
COMMUNITY**



**TREATING
PEOPLE
FAIRLY**



**DIVERSITY
AND
INCLUSION**



**RELIABILITY
AND
CONSISTENCY**



INTEGRITY AND HONESTY

Integrity and honesty are the foundation on which trustworthiness is built. The members of a local government's finance office are in a unique position where their influence over the allocation of limited resources and the financial future of their community requires the highest standard of integrity and honesty. The following sections describe what we learned about integrity and honesty in our interviews.

Manage Public Finances Honestly and Transparently

Given that you have decided to read a paper about how to build trust, you probably are honest. However, most people probably aren't willing to assume that is so. In fact, only one-third of Americans think most people can be trusted, compared to two-thirds in the 1970s.⁴

The implication is that we will have to prove that we are honest to most people. However, how we go about proving it matters. Psychological research shows that when we judge an extended experience with something or someone, we ignore most of the experience and base our judgment on a few "peak moments": high points, low points, and transitions (i.e., beginnings and endings).⁵

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In other words, a finance office that quietly goes about its work and keeps a low profile will probably not be seen as dishonest, but it will probably not be seen as particularly honest or trustworthy either. What we learned from our interviews is that highly trusted finance officers were involved in high-profile and memorable events that they handled in a way that bolstered their reputations.

One finance director established a reputation by taking a zero-tolerance policy toward unethical behavior. For instance, the public health director had a car allowance but also was charging gas to the local government's purchasing card. The finance director challenged this behavior, and the public health director was ultimately terminated for it. In another example, the finance director we just met and a secretary in the finance office had become personal friends. The secretary was later caught stealing office supplies and was fired by the finance director. In both of these cases, the finance director had a reason to look the other way—or at least take a more compromising approach (i.e., avoid conflict with another department head, protect her friend). However,

being uncompromising about doing the right thing in tough circumstances can make a big impression on others.

Making an impression doesn't have to involve heroically taking on corruption. Our interviews revealed some cases where owning up to a mistake increased trust. For example, one interviewee recalled his time as a middle manager who oversaw utility billing. He was responsible for implementing a rate increase, but due to an oversight (for which he was partly to blame), a large segment of customers did not get charged the correct rate for about a year. He immediately brought it to the attention of the chief executive, who then worked with the elected governing board to find a solution. At another local government, the checking account ran short of cash one day. The finance director could have blamed his subordinate for erring on the day's transfer of money to the checking account but instead took the blame himself. Both of these experiences proved to the chief executive that the finance officer was willing to hold himself accountable for his work and the work of his department.

Another experience that finance officers have had or will have someday is delivering bad news. How it is delivered makes an impression. The participants in our interviews emphasized the following:

- **Be prompt.** When you have useful information, share it. This will give your audience more time to act on it. Being the first to share the news means you don't have to counteract a conflicting narrative that your audience may have already heard. That said, if the information you have is speculative or otherwise questionable, it may be better to wait until you can solidify your information—otherwise, you may have to counteract the misinformation that you spread!
- **Be straight.** Don't "sugarcoat" bad news to lessen the impact. There will be fallout later when the situation proves worse than your audience was led to believe. Also, don't go the "doom-and-gloom" route and exaggerate negative information. The audience may feel manipulated into overreacting to the situation.
- **Provide solutions.** Our interviewees emphasized that finance officers should not "drop problems in the lap" of chief executives or elected boards. Instead, present good options for how they might respond to the bad news.

To illustrate the points, let's consider the experience of one interviewee who was the CFO of a midsized city when he uncovered fraud occurring at the front counter of the finance office. Though the situation was very stressful, the CFO was pleased with how he handled the situation and believes it ultimately contributed to his trustworthiness:

- **Be prompt.** The CFO was worried that the fraud discovery would reflect poorly on his management and felt tempted to downplay the incident. The CFO resisted this temptation and immediately reported his initial findings to the CEO and the police department.
- **Be straight.** At the time the CFO reported his findings, the verified theft totaled less than \$5,000. The CFO did not "sugarcoat" the situation by suggesting that the damage was limited. Instead, he made it clear the investigation was still ongoing and more fraudulent activity could still be discovered. The CFO was glad he was honest about this, as the investigation later uncovered a \$46,000 fraud scheme.
- **Provide solutions.** The CFO assisted the police department and district attorney's office with all aspects of the investigation, which resulted in a conviction and jail time for the perpetrator. The CFO then worked to optimize internal controls and implemented an annual fraud risk assessment to prevent future fraud. Additionally, he has publicly spoken about this experience to peers at professional conferences.

Another interviewee became the new CFO at the start of the 2007 Great Recession. This CFO believes that the way he handled the economic downturn's pressure on services and operations greatly increased the trust people were willing to place in him:

- **Be prompt.** The CFO gave regular and timely financial updates. He also produced long-term forecasts to provide decision-makers with insight into future financial conditions.
- **Be straight.** Not only did the CFO avoid "sugarcoating" and "doom and gloom," he provided details on long-term trends in the revenues, which revenues were decreasing the most, and why. This helped people better appreciate the need for tough decisions to balance the budget.

→ **Provide solutions.** The CFO helped develop a plan for a complete wage freeze that allowed the local government to avoid layoffs. He also helped develop and implement a new budget method to help the elected board prioritize which services were most important to preserve through the downturn.

Strengthen Your Integrity by Standing for Your Values

Integrity can be defined as the integration of one's values within one's behavior. Many of our interviewees had a personal value system that helped them at work. These value systems were diverse. Here are a few examples:

- **A strong emphasis on customer service.** This came from the interviewee's first job out of school, which was for a private company that is well known for customer service. The interviewee internalized this dedication to customer service and carried it with him to public service. This reinforced with him the importance of developing the skills to deliver bad news to the customer (including helping people find solutions), informing his supervisors of what is going on (including being honest about mistakes), and taking advantage of “peak moments” to build trust.
- **A commitment to democratic government.** This interviewee came to the United States as a small child from a refugee family. She feels a personal stake in maintaining the system of government that accepted her and her family. She believes in democratic government and believes it positively contributes to human lives every day. This strongly motivated her to uphold the democratic system with utmost integrity and to provide honesty and transparency in public finances.
- **Follow a defined set of principles.** Another interviewee observes three rules that define ethical versus unethical behavior: 1) Is it illegal? 2) Is it immoral? 3) Will anyone be hurt? These principles helped him when the appointed executive of a local government he worked for wanted to increase pension benefits without making the elected board fully aware of the long-term costs. According to the rules in place at the time, it wasn't illegal to suppress the information (i.e., bury it in the back of a report). However, our

interviewee concluded it would be immoral and would hurt the long-term health of the community, so he fully disclosed the costs to the board.

These examples illustrate that an effective set of values can come from many different sources. The examples also show that the values should resonate with you personally. In our first two cases, the values came from a formative experience in the interviewees' lives. In our third case, the interviewee was struck by the simplicity and usefulness of the three rules, so he adopted them as his personal guideposts.

Finally, standing for your values can create “high point” experiences of the type we described in the first section of this paper. In our third example, disclosing the long-term costs of the pension increase (despite the preferences of the chief executive) undoubtedly made a big impression. The fact that the CFO still works for the same community today while the chief executive does not suggests that it was also a positive impression.

Summary of Honesty and Integrity

Integrity and honesty are the starting points of building trust. This section highlighted the following:

- **Take advantage of high points, low points, and transitions to build trust.** The cliché “trust takes years to build and only minutes to destroy” is only half right. Trust does not necessarily take years to build. Instead, people form their judgments based on a few memorable experiences. We saw examples of how a new CFO established a reputation for honesty through deft handling of a high-profile event early in his tenure. We also saw how delivering bad news and owning up to mistakes—what we might otherwise consider low points—helped build trustworthy reputations.
- **Define your value system.** Having integrity requires having values that you live up to. If you can be clear about what values drive you, it will be easier to live up to those values. You might consider if the GFOA Code of Ethics could help you define values for your finance office.
- **Standing up for your values can be a high point.** We saw that sharing and being true to your values can make a big impression on others.



PRODUCING RESULTS FOR YOUR COMMUNITY

When a local government's finance office produces valuable results for its community, it strengthens the local government's financial foundation not just by virtue of the result itself. When other people see the finance office producing results, they are more likely to place their trust in the finance office. When that happens, they will be more willing to work with the finance office to make the local government's financial foundation even stronger. The sections below describe what we learned in our interviews about producing results.



OTHER TIPS FOR PROJECTING CONFIDENCE

Besides speaking without notes, you can project confidence in other ways:

- **Speak loud enough to be heard**
- **Enunciate; don't mumble**
- **Minimize hesitations**
- **Keep your posture straight**
- **Maintain direct eye contact**
- **Stand firmly on two feet**

Demonstrate Command of Public Finances

When the finance officer shows that he/she is intimately familiar with and on top of the local government's financial situation, it gives people confidence in the finance officer's ability. When people have this confidence, they are more likely to trust the finance officer's judgment.

An essential starting point is to know your finance numbers. Our interviewees took the time before meetings with elected officials to review relevant financial data so they could refer to key figures easily. Demonstrating fluency in the organization's financial data builds credibility. For example, some interviewees said their ability to speak in council meetings without reading from notes reinforces a perception that they have command of the financial facts.

This is not to say that a finance officer must memorize every relevant detail that might come up. Because someone can always ask a question that the finance officer can't answer offhand, our interviewees recommended coming to meetings prepared with background information relevant to the topic at hand. For example, one finance officer served on a county board that asked many questions about invoices they needed to approve for payment each month. The finance officer brought a laptop to board meetings with a connection to the county's computerized financial system so that she could answer the board's questions immediately.

Beyond building your own financial fluency, you can design good financial management processes to show people the finance office is on the ball. The participants in these processes experience firsthand the good work of the finance office. The budget and financial planning process is one such opportunity. To illustrate, one city government participated in a statewide pension plan that was headed for tough times. Though the impact wasn't going to be immediate, it was clear that the city would have much higher

pension costs in the foreseeable future. The finance office approached this problem in a manner that built trust along the way:

- The finance office started by communicating the problem to the council well before the increased costs would come due and reminded the council of the challenge at every appropriate juncture. This showed that the finance office had knowledge of the forces shaping the financial environment.
- The finance office described the planning process the city could go through to solve the problem and what some of the solutions might look like. Thus, the council did not feel the problem was being left to them to deal with; rather, the finance office had a plan.
- The city included a strategic planning process right before budgeting so that the council could consider big-picture, long-term issues as a prelude to budgeting. This helped budgeting feel more purposeful and put the pension problem in context.
- The budget calendar was designed to provide more time for the participants in the budget process to consider the hard choices they would have to make and to arrive at a final set of choices that people could live with. If the process felt rushed and people felt the decisions were of low quality, then the finance office's reputation would suffer.
- Along the way, the finance office made sure the council, staff, and public were kept apprised of how the pension challenge was being handled. This showed that the city (and the finance office) was being responsible with its financial resources.

Budgeting and financial planning is not the only opportunity to show that the finance office produces results. Bond ratings or the annual audit is a good opportunity too. The rating agency or external auditor is a credible third party. Hence, when the local government receives a good bond rating or a clean audit, the finance office should make sure people know and why it is important. The finance office could even invite the chief executive or other key decision-makers to sit in on important meetings with the bond rating agency or auditors. This provides a live demonstration of the good work finance is doing, and the in-person experience will be more memorable than just mentioning the bond rating or audit results as an agenda item at a board meeting.

Finally, our interviewees stressed the importance of getting involved with networks of local public finance officers as a means to help improve their command of public finances. These networks help in at least three important ways:

- **Finding mentors.** Local government finance officers often encounter new challenges and novel situations. A mentor may have experienced a particular situation before or at least can offer wisdom on how to approach it. This coaching will help the finance officer be better equipped to handle the situation, thereby giving people more confidence that a good result will be produced.
- **Gaining insight into larger issues and trends that will impact local governments.** It is important for finance officers not only to know financial data inside their local government but also to demonstrate knowledge of outside forces that could impact a local government's financial foundation. Networks of local public finance officers often keep an eye on big trends that will impact local governments and can share this knowledge with their members.
- **Providing support on technical questions.** Networks of local finance officers can provide the opportunity to "crowdsource" the answer to technical questions through listservs or other electronic mediums. This allows members to quickly augment their own knowledge and build their own reputation among other finance officers by contributing answers to the network.

Listen Actively So You Know the Results People Want

To produce results that people think are valuable, the finance office must know what people want. Often, people will simply tell you what they want. For example, at one local government, the governing board had a special interest in outreach to small local businesses. So the CFO made it a point to provide periodic updates to the board about how the finance office was helping small businesses better understand their utility bills, participate in procurements run by the local government, etc.

However, learning what people want is not always straightforward. Sometimes the finance officer will have to make a special effort to understand what people need

in order to build trust in challenging relationships. For example, one interviewee became the new CFO at a city government. Several other department heads were also new. At an executive retreat, a long-standing recreation director noted that he liked the old executive team better. Clearly, the CFO would have some work to do in order to build a trusting relationship.

The following year, the recreation director presented an ordinance that would have imposed a park impact fee. Though the director presented the impact fee and its accompanying fee study in a compelling and logical manner, the city council was not receptive to the idea. They did decide to implement the fee but reduced the amount and exempted nonresidential development.

The following year, the CFO led a comprehensive review and update of the city's fees. A prime objective was to increase the city's cost recovery rate from just over 50% to over 80%. Based on the CFO's success with the fee study, and seeking to leverage the trust and credibility that the CFO had built with the city council over the first two years of her tenure, the city manager tasked the CFO to bring the park impact fee back to the city council. The CFO recognized this as a key opportunity to build a partnership with the recreation director by working with him on an issue that was important to him.

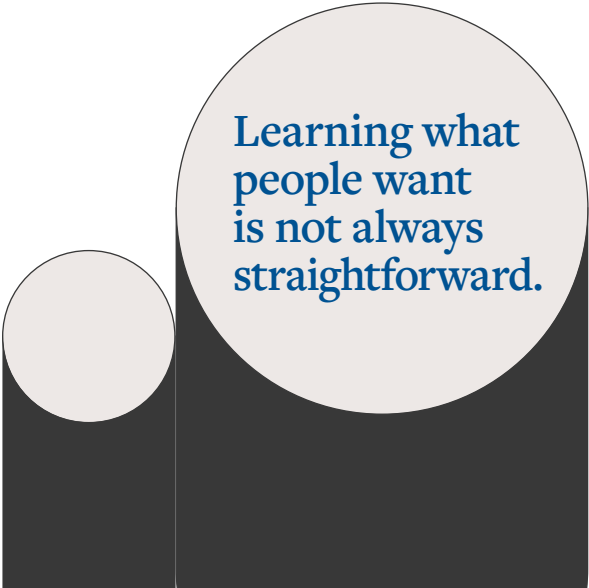
After an objective review of the study that supported the impact fee, it became clear to the CFO that there was a disconnect between the goals articulated in the city's strategic plan for parks and recreation and the park impact fee. The city's recreation capital needs were more than \$100 million. The impact fee the council approved in the prior year would come up woefully short of this amount. The CFO proceeded to work closely with the

recreation director to develop a new presentation to the council that showed the impact fee would: 1) help the city meet its goals for investment in recreation services; and 2) not cause the city's fee structure to be out of line with nearby communities'. They combined the recreation director's expertise in recreation assets with the CFO's financial savvy and credibility. Working together, they succeeded in convincing the council to broaden the fee to include nonresidential developments and to increase the fee. Another result was that the CFO established a solid relationship with the recreation director built on trust and understanding.

Summary of Producing Results for Your Community

Creating valuable results for your community builds a trustworthy reputation. This section highlighted the following:

- **Know your numbers.** When you can demonstrate a command of the facts and figures of your financial condition, you give people confidence, making them more likely to trust your judgment.
- **Be prepared for when you don't know the numbers.** Someone will eventually have a question you can't answer offhand. Prepare yourself with the resources to get an accurate answer quickly.
- **Design financial management processes that provide participants with a good experience.** A variety of people have a role in making financial decisions for a local government, including elected officials, managers in other departments, and the public. If these people feel that the decision-making process was well organized and well led, it will reflect positively on the finance office.
- **Join networks of local government finance officers.** These networks provide the opportunity to bolster your knowledge through mentorship, provide you with a resource for answering technical questions, and keep you abreast of larger trends that could impact your local government.
- **Cultivate your active listening skills.** For a result to be valuable, it has to meet the needs of the people that it is intended to serve. By listening carefully, you can discern what those needs are.



Learning what people want is not always straightforward.



TREATING PEOPLE FAIRLY

Local governments depend on trusting relationships between people. Fairness is essential to trust. If people feel unfairly treated, trust breaks down, and they may withhold support for their local government. This makes it difficult for the local government to maintain a strong financial foundation. In this section, we show what our interviewees told us about treating people fairly.

Defining Fairness

“Fairness” is a multifaceted concept, and the definition of what is “fair” can differ between people and circumstances. Fortunately, psychological research provides insights into how people generally conceive of fairness.⁶ There are two basic components to fairness that finance officers must be mindful of.

The first is “procedural justice.” This concerns the process used to make decisions and distribute resources. Perceptions of procedural justice are influenced by how the decision is being made: Is it objective? Perception is also influenced by how people are treated during the process: Do they have the opportunity for serious input?

The second is “distributive justice,” which means that people get what they deserve and what is fair. This means that the distribution of resources is equitable (but not necessarily equal). Equitable means that the outcomes that someone experiences (e.g., budget allocation, public services) is roughly proportionate to the inputs they provide. Examples of inequities in local government finance could include:

- A public safety department consistently gets budget increases while other departments get none or are asked to cut theirs—even though the public safety department has not provided strong justification that the increases are warranted, while other departments have made a strong case for the services they provide.
- A neighborhood of traditionally marginalized people does not get good public services for the taxes they pay compared to other neighborhoods in the same jurisdiction.

For people to perceive fairness, they must believe at least one of these two components of fairness is present. In the next sections, we’ll see examples of how these components have been applied in local governments.

Procedural Justice

To see procedural justice in action, let's consider the case of a midsized city that needed to update its system of internal service charges to departments for vehicle replacement. The CFO of this city could see that the city's vehicle replacement fund was not on a sustainable trajectory and departments would need to contribute more. The finance department had a method for calculating these charges, but it was not transparent; other departments did not know how it worked. Since the system was not transparent, there was little trust in it, so an increase in charges would not be well received.

The starting point for the CFO was to explain to departments why the charges and a healthy vehicle replacement fund was important and how the charges were calculated. This removed the mystery behind the fund.

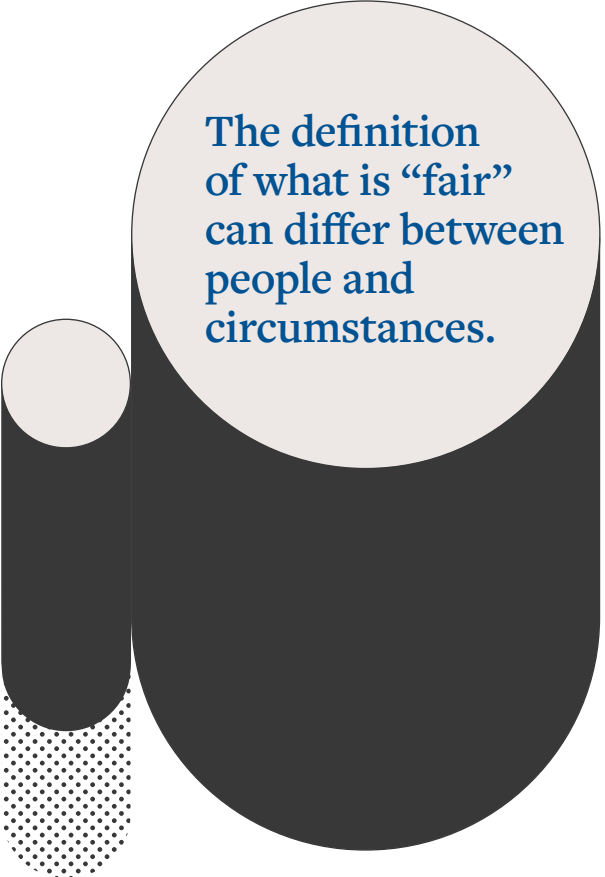
Next, the CFO formed a cross-departmental committee to help redesign the city's approach to vehicle replacement. Bringing other departments into decision-making demonstrated that the finance office wanted their perspectives. The committee put together a set of criteria for evaluating whether to replace a vehicle. A transparent and agreed-upon set of criteria brought a sense of objectivity to deciding which vehicles to replace.

The committee then examined the city's inventory of vehicles. It found that the city's police department seized several vehicles that made their way into the city's motor pool. These vehicles added unplanned maintenance costs, and departments often expected to replace these vehicles when their useful lives ended. The city resolved to auction off seized vehicles, thereby increasing revenues as well as eliminating the expense associated with maintaining them. Because the committee went through this examination, every department felt they had input into the decision.

Ultimately, the city was able to increase revenue to the fund through higher charges and auction proceeds and decrease fund expenses by reducing the number of vehicles in the pool. Departments supported this change, and trust was built with the finance office.

We can also see how a lack of perceived procedural justice played out in a county government's budget process. In this county, each year departments are asked to submit a "status quo" budget for performing the same level of service as the prior year. If they want new or expanded services, projects, etc., those must be submitted as a separate package that is considered at the end of the budget process. Once the status quo budget has been found to be affordable and the county budget office knows how much discretionary revenue is left, requests for new spending are considered.

The budget office requires that these requests be well justified and the office fully reviews all of the data submitted. However, there are no established criteria that determine how one request will be prioritized versus another. Rather, the county administrator's office determines which requests can be included in the budget based on available funding and other factors that aren't made clear to people outside the central administrative office.



**The definition
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circumstances.**

Departments advocate for their projects to the budget office and the county administrator but only hear about the fate of their request at the end of the process. They do not see the details of the other requests and are not included in the decision-making. Some departments that feel their request was unfairly denied make an appeal to the county board at public budget hearings. The board will then sometimes overturn the county administrator's decisions on the spot at a late stage in the budget preparation process. This further reinforces the impression that the process is capricious and unfair.

To provide an illustration, a small office of emergency management (OEM) wanted to add five new staff members to its existing staff of 10. The budget office asked for a rigorous justification for such a large increase in staffing. In the view of the county's budget officer, the OEM did not provide sufficient data about its workload to justify the added staff. As a result, the request was not approved.

Although the decision was based on the data the OEM provided, the criteria used to make the decision were not described clearly to the OEM. The head of the OEM, however, was not willing to take the budget decision at face value. He contended that the decision was based on a personal dislike that the CAO had for him. In other words, the decision was not objective. Because the criteria were not transparent, it was impossible to show the decision was objective. The county board even got involved in the dispute and began to question this decision and other decisions about requests for new and expanded projects that year.

Distributive Justice

Earlier in this paper, we described two situations in which distributive justice could be a relevant concern in public finance. The first situation is where certain departments are perceived to get an unfair advantage in the budget process. Certainly, being mindful of procedural justice concerns, like we described previously, could help. However, even more fundamental than that is to make sure all departments participate in the budget process under the same rules. For example, our interviewees referenced a common practice in municipal governments: exempting public safety departments from participating

in budget cutbacks when the municipality needs to reduce its total expenditures. Our interviewees made a point of rejecting this practice and requiring all departments to participate. It could be that the public safety department would ultimately lose fewer resources than other departments, but that would be determined based on a fair examination of the relative merits of the services that each department offered.

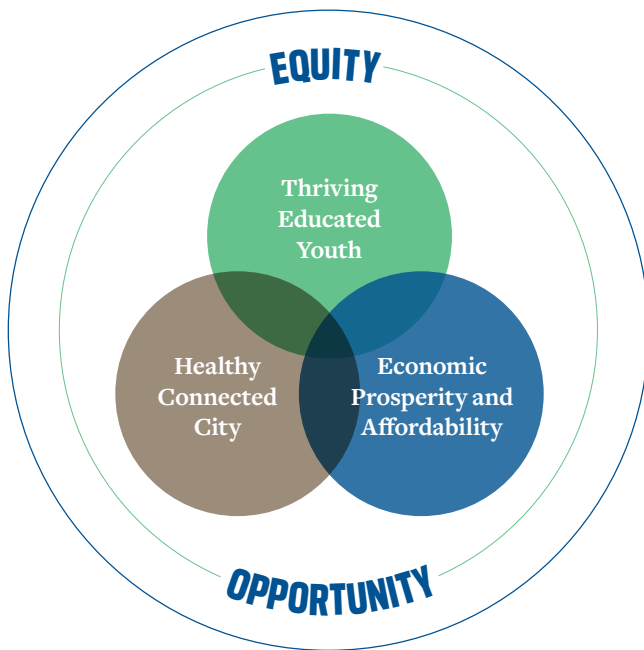
The second situation where distributive justice could be a concern is when people in historically marginalized neighborhoods or people from historically marginalized populations do not receive an equitable amount of public services for the taxes/fees they paid compared to other neighborhoods or people in the same jurisdiction. Many local governments are becoming more cognizant of this kind of equity in their budgeting.

Perceptions of equity have real implications for trust in government. If resources are perceived to be distributed inequitably (e.g., according to family background, ethnicity, political affiliation, etc.), then trust in the institutions responsible for distributing those resources will decline.⁷ If the public perceives the standard of fairness to be reasonable and to not unduly benefit one group at the expense of another, this gives the impression that public officials care and can be reasoned with.

A government should be clear on its definition of "equitable" and show how that value is implemented. For example, the City of Portland, Oregon, adopted equity as an overarching goal in its strategic plan (see diagram on page 13). From there, the council decided to focus on racial equity and equity for people with disabilities. The city adopted three specific equity goals, covering: 1) the representativeness of the city's workforce; 2) outreach and engagement of marginalized groups; and 3) elimination of inequities in service provision. Each city department developed a racial equity plan to show how these goals would be implemented. The plans were adopted by council resolution.

To identify where services are provided equitably or not, Portland uses a series of performance measures broken down by geographies. Population information (e.g., race or disability) is overlaid on maps of the city. For example, a map of pavement quality index shows that the east

Portland's Strategies



side of Portland, traditionally an underserved area, has some of the best quality streets in the city. However, a map of traffic fatalities shows that this same area has a relatively large number of traffic deaths. Hence, more equitable distribution of resources might not entail more street maintenance but, instead, more investment in traffic control devices. Additionally, Portland's maps and performance measures are available online. Some of the maps are interactive, allowing the public to pursue their own lines of inquiry about equity.

Portland also has a “budget equity assessment tool” to help departments think through how their base budget and requested additions (or subtractions) impact equity. The effectiveness of this tool has improved over the years as departments become more acclimated to it and as the guidance from the city's budget office and office of equity and human rights has become more refined. Taken together, the performance measures, maps, and budget equity assessment show the “equity” value is lived by city officials in the way the city government allocates resources and the subsequent results produced by city services.

Summary of Treating People Fairly

Treating people fairly is essential for building trust. This section highlighted the following:

- **There are two basic components of fairness that finance officers need to be mindful of.** First, procedural justice concerns the process by which decisions are made and whether people feel it was objective and took their views into account. Second, distributive justice is about providing equitable outcomes: The outcomes people get from a system should be reasonable, given the inputs they provide into that system.
- **When designing a decision-making process, make sure the criteria used to make decisions are objective and transparent.** Give parties who will be impacted by the decision a chance to provide their input and perspective.
- **Require all departments to participate in a fair process for how resources are allocated.** Exempting some people from the process will feel unfair.
- **Consider applying an equity lens to budget decisions.** This can help make sure all community members are getting a fair share of public services.
- **For the finance officer to build trust, others must see and feel that decisions are fair.** That means the process has to be transparent and people need to be involved. It will often not be enough for the finance officer to be objective behind the scenes; it needs to be in the open.



DIVERSITY AND INCLUSION

Trustworthiness has foundations in empathy (i.e., being concerned for others who don't share your beliefs, religion, ethnic background, etc.). This is important in the context of a local government finance office because communities are constantly changing. Embracing diversity and fostering inclusiveness helps finance offices cultivate organizations and promote policies that reflect the communities they serve. When people feel included and see that the finance office is concerned for their well-being, they will feel that the finance office is worthy of their trust. The following sections describe what we learned about diversity and inclusion in our research.

Trust Starts at Home: Inclusivity in the Finance Office

A good place to start with building trust through including people and valuing diversity is in the finance office itself. For example, one CFO we interviewed makes a special effort to send nonmanagement staff to conferences and other special training opportunities that might normally only be attended by management staff. If necessary, the CFO gives up her chance to attend in order to include the finance office staff in these opportunities. This CFO also creates in-house training opportunities for staff, including monthly training, where a different staff person is responsible for coordinating and delivering the training. The CFO is intentional in providing just enough support to make sure the staff person succeeds, but the person is otherwise free to develop the training as he/she sees fit. This builds trust in two ways. First, it shows that the CFO trusts all staff to be involved in shaping the professional development program. Second, providing regular professional development shows that the finance office cares about its staff and their future careers.

The example we just provided was a formal and structured approach to making everyone in the finance office feel included. Finance officers also need to be mindful of how their everyday demeanor and approach affects others. To illustrate, one interviewee emphasized the importance of being fully present for conversations with other members of the finance office. First, this means avoiding obvious signs that your mind is elsewhere, like checking emails while the other person is talking. Second, and just as important, it means being truly focused on what the other person is saying. If we are disinterested in what someone else has to say, we will often unconsciously send signals (e.g., body language) that this is the case.⁸

If you have good listening skills, other members of the finance office will be more likely to seek your counsel. Not only does this build trust between

members, but it can also help the finance office perform better and build trust with those outside the finance office. To illustrate, one city had some overlap between the human resource (HR) department and the payroll function, which the finance office handled. A longtime public works employee was retiring and wanted to allocate a portion of their unused sick leave to deferred compensation and the remainder to a service credit for their pension. Because HR and payroll each had some role in administering this request, they needed to work together. One of the forms that HR provided to finance was missing some important information, which annoyed the payroll staff person. Recently, there had been some tension between this staff person and the HR department on other issues. This latest error was the proverbial straw that broke the camel's back. So the payroll staff was going to send an email to HR in ALL CAPITAL LETTERS to excoriate them for the mistake. Fortunately, the staff person felt comfortable discussing problems with the CFO, so he ran this plan by the CFO first. The CFO understood the staff person's frustration with HR but counseled him that a more diplomatic, in-person approach would not only get a better result and create a better long-term working relationship with HR, it would also help the payroll staff practice the skills he would need to advance his career.

Another powerful, everyday practice for making people feel included in the work of the finance office is to give credit where credit is due. One interviewee makes sure her elected board and chief executive officer know which finance staff members contributed to the work that the CFO is complemented for, either in public meetings or in private. For example, the finance office's revenue collection manager collected a number of large outstanding debts. The legal department reported to the CEO that these debts were collected. The CEO congratulated the CFO, who then redirected the credit to the revenue manager. Giving people recognition for good work is no small matter. In fact, across almost a half-century's worth of research on employee motivation, "full appreciation of work done" is the only factor consistently found to be among the top motivators.⁹

Finally, one popular way to make people feel included in the work of an organization is to solicit ideas or suggestions. Certainly, this can be powerful, and many of our interviewees practiced this kind of participative management. However, our interviews also showed that this technique could backfire if you ask for input but then don't use the input. For example, one interviewee recalled her time as part of the management team for a water utility. The management team had solicited ideas from labor unions to make the organization more efficient and cost-effective. However, management then failed to act on any of the ideas. Unsurprisingly, this did not sit well with the labor group. As a result, the unions were later unwilling to make wage concessions in contract negotiations because none of their ideas to lower costs in other ways had been acted upon.

Small Things Matter

Small gestures that show concern for a staff person's well-being can go a long way. One of our interviewees works for a community where many finance staff members live a fair distance from the community. So he developed work travel and attendance policies that make their lives easier. For example, staff members are not required to report to the office before attending meetings in other communities. In a different community, a CFO had an accounts payable clerk who was feeling undervalued (in terms of compensation) compared to other staff. The CFO worked with that employee to add responsibilities to his/her job in order to justify a higher pay scale.

Our interviewee learned from that experience. In her new role as CFO for a county government, she coaches employees to bring three options for solutions with them anytime they come to her with a problem. This makes it more likely that at least one of their ideas can be implemented, at least in some form. When staff members see their ideas move forward, they feel included in the work of the finance office.

Including the Community in Decisions

Finance offices also need to build trust with the communities they serve. One way to do this is to include the community in decisions that impact them. For instance, in one city, a large employer in the community closed, which caused a deficit equal to 25% of the budget. The resulting environment was toxic: The city manager was besieged and the public was unhappy.

The CFO had to help the community come to grips with the problem. She was very intentional about knowing the audience, enabling them to be involved in discussing the problem, and arriving at a solution. Her starting point was to break down relevant information about the city's financial challenge into digestible chunks. She translated the budget and comprehensive financial report into a 15-page popular report that oriented people to the city's financial situation. This report was light on text and emphasized visuals, like charts and graphs. More detailed sources of information were annotated for those who wanted it. The objective was to adequately prepare the community to be active participants in deciding the city's financial future.

The next major step was to provide the community with a menu of options for how to address the situation. The CFO felt it was important to present viable options to give people confidence that there was a solution to the community's problems. However, the CFO was careful to outline the options in such a way that there was a clear path forward but without getting so detailed that stakeholders felt she was forcing a solution on them. Rather, the community would be making a meaningful decision about how it would move forward. This effort was ultimately successful. The deficit was fixed and the community followed through over the long term, rebuilding its reserves over a multiyear period.

Make the Extra Effort to Reach Across "Tribal" Lines

Humans are a tribal species; we distinguish between our own groups and other groups. We are generally more trusting of people in our own tribe. Those tribes could be defined by ethnicity, race, religion, political beliefs, or other characteristics. Building a trustworthy reputation in the entire community requires that the finance office demonstrate concern for the well-being of everyone. This requires putting in the extra effort to build trust across tribal lines.

Our interviews provide good examples of this. One interviewee, who we'll call Michelle, was going to be promoted to her first CFO position at the school district that she worked in as an accountant. She is a member of racial minority, and one of the board members expressed concerns about the promotion. It was clear his concerns were motivated by racial bias. The superintendent's response to this problem was to arrange a sit-down meeting with the board member and Michelle.


Exaggerated Differences in Political Tribes?¹⁰

One of the most prominent tribal differences in 2019 is liberals versus conservatives. One study asked Democrats and Republicans to guess how people in the other party would answer a range of political questions. The study found that the perceptions one side had of the other were often inaccurate. Perhaps, surprisingly, the scale of these misperceptions increased for people with more education or more interest in following the news. This suggests that we may exaggerate differences between ourselves and people in other tribes, possibly making us think it is more difficult to reach across these lines than it really is.

The superintendent made it clear that the promotion was a done deal, so this meeting was not an “interview”; rather, it was an opportunity for the board member to get to know Michelle and build a positive rapport before they started working together. Michelle felt relief that her promotion was not staked on the outcome of this conversation, which made her more comfortable to express her authentic self and be open with the board member. The effort to reach out to this board member was successful, and the board member came to be one of Michelle’s biggest supporters on the board.

In another example, one interviewee started a new job as a CFO and was asked to introduce herself at a staff meeting of about 80 employees from across the organization. At the meeting, she told her personal story of being from a refugee family and the embrace of her new country’s government. She explained how that instilled in her the passion for good governance and a belief that the work government does matters. Her early life experience brought her to public service, and she shared this vulnerable and powerful story. By revealing herself, she showed trust in her new colleagues. After the meeting, people from other departments who attended the meeting contacted her. Many of them did not meet the CFO in person at the meeting but wanted to share with her their own stories about what brought them to public service. By first demonstrating trust in others, that trust was reciprocated.

Crossing tribal lines is not easy, and perhaps people in other groups will not be as receptive to your overtures as the people in our examples. However, our examples show that success is possible.



Finance offices need to build trust with the communities they serve.

Summary of Diversity and Inclusion

To build a trustworthy reputation in the entire community, the finance office has to show concern for everyone, regardless of race, ethnicity, religion, political beliefs, etc. This section highlighted the following:

- **Start at home.** A good place to start is making members of the finance office feel like they are valued contributors to the work of the finance office.
- **Structured approaches to inclusion can help.** The finance office can develop structured, formalized approaches to getting members of the finance office involved. This might include formalized mentoring programs and other career development opportunities.
- **Everyday informal inclusivity is essential.** Outside of formal opportunities, the finance office should build its skills to make people feel included every day. We highlighted different ways this could be done, such as using good communication skills (including active listening), recognizing employees for work well done, and soliciting (and acting upon) ideas for how to accomplish work.
- **Include citizens in important decisions that impact them.** The finance office will need to include the citizens in some decisions, especially those that have big implications for their community. The finance office can help people understand the essentials of tough financial situations so they can effectively participate in deciding how to solve the problem. Break information into chunks. Use visualizations. Provide options for how to solve the problem. However, avoid dictating solutions. This means providing more than one viable path forward and leaving room for stakeholders to determine some of the details of the solution.
- **Building trust between people in different “tribes” (religious, political, racial, etc.) is not easy, but success is possible.** Wherever possible, look for ways to start building trust in a lower-stakes environment so that trust is there when the stakes are high. Look for a way to make a personal connection; you may be pleasantly surprised by the results.



RELIABILITY AND CONSISTENCY

When people can count on the finance office, the finance office proves its trustworthiness. People will have more trust in a local government and its finance office if the approach to financial management is consistent. In this final section, we'll show what we found about reliability and consistency.

Demonstrate Reliability Through Timeliness

In our interviews, we were struck by how often we heard about the importance of getting back to people's inquiries in a timely fashion. Promptly replying to emails and returning phone calls make a positive impression. It shows that the finance office takes the questioners' concerns seriously and can be relied upon to provide answers. Though replying promptly may seem like a small thing, the information requested from the finance office is often critical from the perspective of the people making the request. If they perceive finance is "holding up" their work, then this will not reflect well on the finance office's reliability.

However, in many cases, the answer the finance office has is not the answer that the questioner would like to hear. Therefore, a finance officer needs the skills to deliver this kind of bad news but, perhaps more important, needs the skills to look for solutions that meet the needs of the questioner while maintaining a solid financial foundation for the government. For example, at one local government, an employee outside of the finance department experienced a flight cancellation while trying to return from an out-of-state conference. The next available flight was more expensive. It was a violation of the local government's policy to book this more expensive flight, but the employee reasoned that it would be even more expensive to book a last-minute hotel for the night.

Let's now imagine that the finance office stuck rigidly to the policy and refused to reimburse the employee for the cost of the flight. The finance office would have diminished its trustworthiness in the eyes of the other department. This has consequences. Before, the other department was trying to make the best use of the local government's resources. It is not difficult to imagine that this department might start to care less about making the most prudent use of resources and care more about remaining in compliance with policies, regardless of the circumstances. The finance office would have lost a partner in looking out for the best financial interest of the local government and, instead, created a relationship of rote compliance. Fortunately, the CFO realized this and worked with the department to make a one-time exception to the policy.

Another important skill when conveying information that the listener might not like is explaining “why” the finance office is giving that answer, not just “what” the answer is. A classic example is the charges associated with an internal service fund. For instance, a department may reasonably wonder why they can’t take their vehicles to the local service station to get an oil change rather than pay a higher charge to an internal motor pool for that service. If the finance office can explain why the motor pool charges are higher, then the department will be more accepting of the answer. For example, maybe the motor pool’s charges are fully loaded with other costs, such as insurance, that would still have to be paid even if the department used a local service station for oil changes.

Having the skills just described helps finance officers be timely in their response because they don’t need to struggle with how to deliver difficult news. Beyond that, finance offices must also find a way to manage the volume of requests they get. Our interviews adopted different approaches to this, depending on their work style.

To illustrate, one CFO doesn’t believe in out-of-office messages and makes a point of responding to emails even when he is away. For example, while the CFO was at an out-of-state conference, the city’s recreation director emailed a question about the procurement policy and how it relates to printing a seasonal activity guide. The CFO replied with enough information to relieve the recreation director’s anxiety about getting the guide printed on time and allowing the recreation director to complete the next steps in the process.

Another CFO developed special notifications for his phone and email that highlight messages from the county manager and board members. The CFO recognized that these are relationships where trust is key, so the notifications ensure messages from these people don’t get lost in the shuffle.

Our research suggests that it is not important which email tool or personal organization method a finance office adopts. Rather, it is more important that there is a system of some kind in place to ensure prompt and helpful replies.¹¹

As a final consideration about timeliness, consider how meetings are run. Our interviewees recommended starting promptly, respecting the agreed-upon schedule and agenda for the meeting, and asking participants’ permission to go late, if needed. When meetings run by the finance office stick to a well-organized agenda, it contributes to the perception of a reliable finance office. This is probably not too surprising when one considers the near-universal skepticism with which meetings are viewed. According to one study of senior managers from various industries:¹²



65%

said meetings keep them from completing their own work.

71%

said meetings are unproductive and inefficient.

If the finance office can buck this trend and consistently make meetings more productive and worthwhile for participants, it will make a strong positive impression.

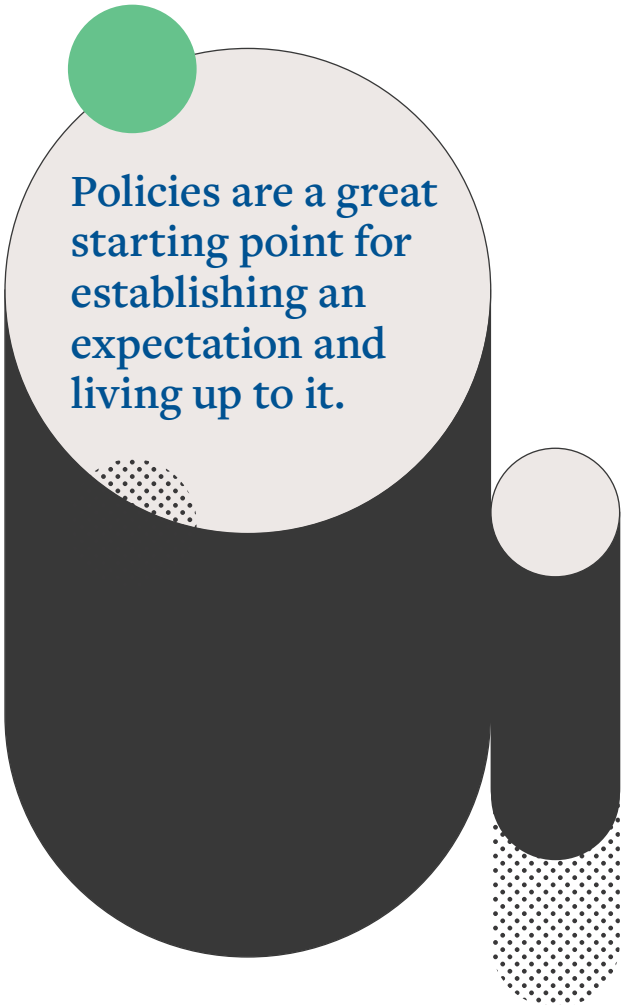
Consistency: The Intersection of Words and Action

The essence of consistency is whether your words are a reliable indicator of the actions you will take. For the finance function, the most common application of this is meeting deadlines for reports, projects, etc. If circumstances are conspiring to keep you from meeting the deadline, keep people informed of the situation. Our interviewees counseled not to miss deadlines often, though!

Part of meeting deadlines is to establish realistic expectations. To illustrate, one finance officer had a middle manager in one of the divisions of the finance office who was overconfident about how soon work would get done and then would fail to meet the deadline he set. This was annoying to other departments, so the finance director had to coach the middle manager to set more realistic estimates.

Overconfidence is not limited to the finance office. Departments are often overconfident about what they can accomplish during the year and therefore tend to over-budget. This makes it more difficult to balance the budget. In one city, the CFO addressed this problem by asking departments to remove the more “aspirational” projects from the budget, but he also promised to add the funds to the budget via a budget amendment or funds transfer during the year if it turned out the department had the time to do the project after all. Eventually, a circumstance arose where a department did have the time to complete one of these aspirational projects, so the CFO did as he promised and added the funds.

A similar budget problem is where departments add “padding” or “slack” to their budget to account for unknowable circumstances that might arise during the year. If every department does this, the local government will almost always have far more padding, across the entire government, than proves necessary.



Policies are a great starting point for establishing an expectation and living up to it.

One CFO recognized this and sought to reduce the padding to help deal with financial stress the organization was facing. Departments were nervous about the CFO’s proposal because it exposed them to more perceived risk. The CFO promised to work with the departments if something unexpected happened during the year. Later, the fire department had to incur extra overtime costs to fill shifts for injured staff, and the recreation department experienced an unexpected utility rate increase for its facilities. The CFO worked with the departments to address these issues, including explaining to the city council why these budget increases were needed in the middle of the year. The CFO had already laid the groundwork with the council at the start of the year by explaining the benefit of the new centralized approach to budget contingency. All of this impressed on the departments that the CFO was a reliable partner and his actions were consistent with his words.

Finally, be consistent in the answers the finance office gives. Our interviewees stressed the importance of giving the same answers in public and private. This includes knowing when not to give an answer at all and maintain confidence. If someone asks a question that would require the finance officer to break confidence in order to answer, most questioners will respect the finance officer when told that the finance officer can’t answer due to confidentiality issues.

Another way to create consistency in the answers people get from the finance office is through financial policies. As our example earlier showed, there is often some need for flexibility in how policies are administered, but policies are still a great starting point for establishing an expectation and living up to it. This applies to big-picture governance issues like the appropriate use of reserves or one-time revenues. The GFOA book [Financial Policies](#) provides guidance on how to develop these types of policies. It also applies to day-to-day administrative issues. For example, one interviewee had the human resources (HR) function under her purview. The staff member who managed HR was not very organized and would not always give the same answer to employees’ inquiries about HR issues. Our interviewees helped the HR manager develop policies so that employees could have one consistent answer.

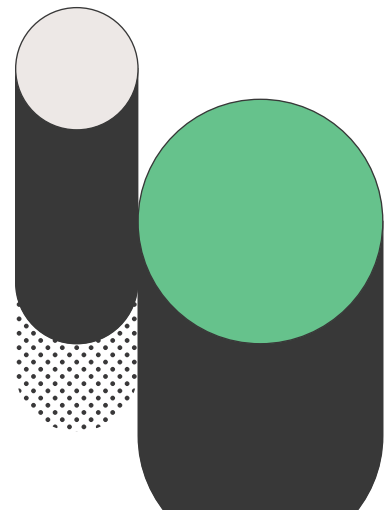
Summary of Reliability and Consistency

This section highlighted the following:

- **Reply to people’s inquiries promptly.** Have a system for responding to inquiries promptly, especially for people with whom trust is most important (e.g., members of the governing board).
- **Develop the skills to address inquiries where the answer may not be what the questioner prefers.** This includes looking for win-win solutions and providing a compelling explanation of the reasoning behind the answer.
- **Run efficient meetings.** If the meeting sticks to the time and the agenda, the finance office demonstrates its consistency (and shows the finance office respects people’s time).
- **Keep promises.** Balancing a budget often requires someone to give something up, perhaps in exchange for a promise that they will get support later. Be sure to follow through when this support is needed.
- **Meet your deadlines.** Set realistic expectations for when work will be accomplished and then meet them. If you can’t meet a deadline, make sure the people who are relying on you are kept apprised.
- **Develop policies.** Policies provide written guidelines for how financial business will be conducted, so they are a great way to provide consistency.

Endnotes

- ¹ See, for example, Tali Sharot. *The Optimism Bias: A Tour of the Irrationally Positive Brain*. Pantheon. 2011.
- ² According to the “Ethics Unwrapped” project, part of the McCombs School of Business, University of Texas. <https://ethicsunwrapped.utexas.edu/glossary/overconfidence-bias>
- ³ Many states and provinces have their own GFOA association, which is separate from the GFOA of the United States and Canada.
- ⁴ General Social Survey. Gss.norc.org
- ⁵ Chip Heath and Dan Heath. *The Power of Moments: Why Certain Experiences Have Extraordinary Impact*. Simon and Schuster. 2017.
- ⁶ The information in this section is based on work by Jonathan Haidt, the Thomas Cooley Professor of Ethical Leadership at New York University’s Stern School of Business.
- ⁷ Eric D. Gould and Alexander Hijzen. “In Equality, We Trust.” *Finance and Development*, a magazine of the International Monetary Fund. March 2017.
- ⁸ Burgoon, J. K., Guerrero, L. K., & Floyd, K. (2016). *Nonverbal communication*. New York, NY: Routledge.
- ⁹ Chip Heath and Dan Heath. *The Power of Moments: Why Certain Experiences Have Extraordinary Impact*. Simon and Schuster. 2017.
- ¹⁰ Data from “The Perception Gap” study by More in Common. See perceptiongap.us. Write-up based on Yascha Mounk. “Republicans Don’t Understand Democrats—and Democrats Don’t Understand Republicans.” *The Atlantic* (www.theatlantic.com). June 23, 2019.
- ¹¹ There are many email management tools, including personal organization systems like “InboxZero” or technologies to help manage email, including applications that will unsubscribe you from unwanted bulk email or remind you about email conversations you need to follow up on.
- ¹² Leslie A. Perlow, Constance Noonan Hadley, and Eunice Eun. “Stop the Meeting Madness.” *Harvard Business Review*. July–August 2017.





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