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How to align long term policy goals and short term fiscal policies: Experiences from Zurich

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# Long-term strategies of the City of Zurich

## Long Term Strategic Process



### Strategic Policy Goals



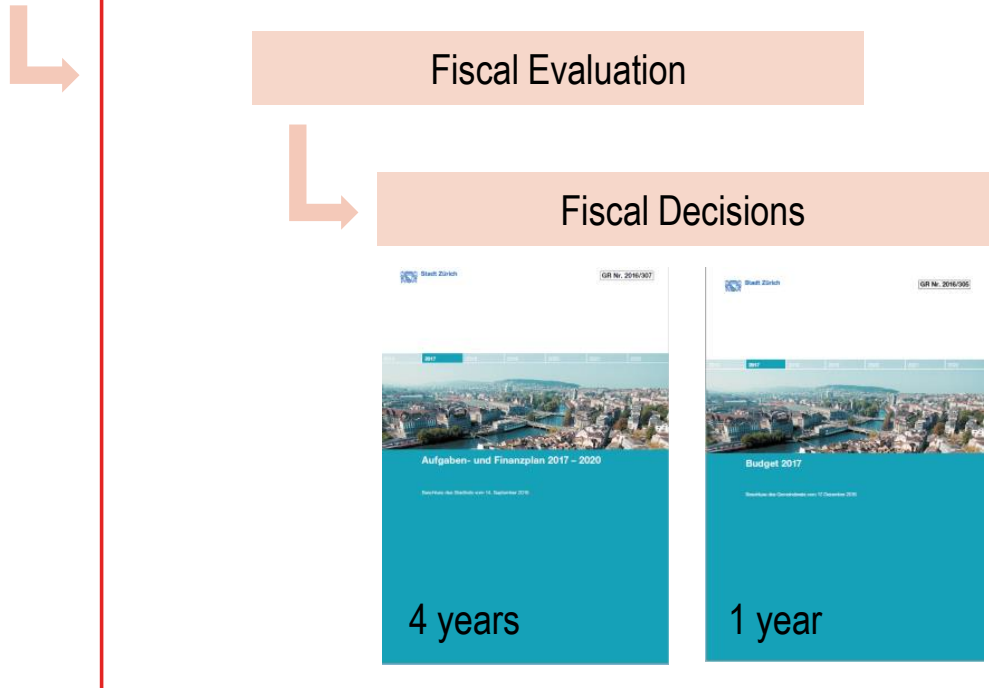
- 01 Attractiv Economy
- 02 Stable Public Finances
- 03 Sustainable Development
- 04 Solidarity
- 05 Sustainable Energy and Environmental Protection
- 06 Digital City
- 07 Cooperation and Participation
- 08 Internal Organisation

- Decided by the Government in a multi-annual process with a long term perspective (2035)

# Annual fiscal planning and budgeting

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## Annual Fiscal Planning and Budgeting



- Decided by the Parliament (budget) in an annual process

# Challenge: How to bridge the gap?

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Long Term Strategic Process

Strategic Policy Goals



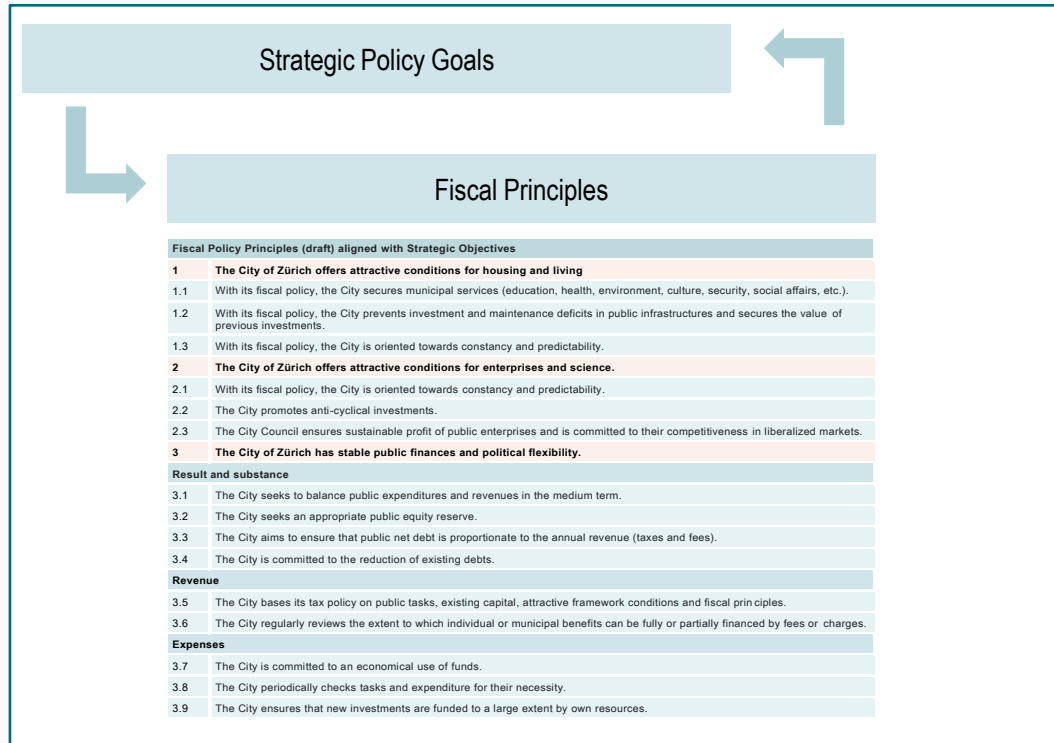
Fiscal Evaluation

Fiscal Decisions

Annual Fiscal Planning and Budgeting

# 1. Step: Developing fiscal principles (1)

Long Term Strategic Process



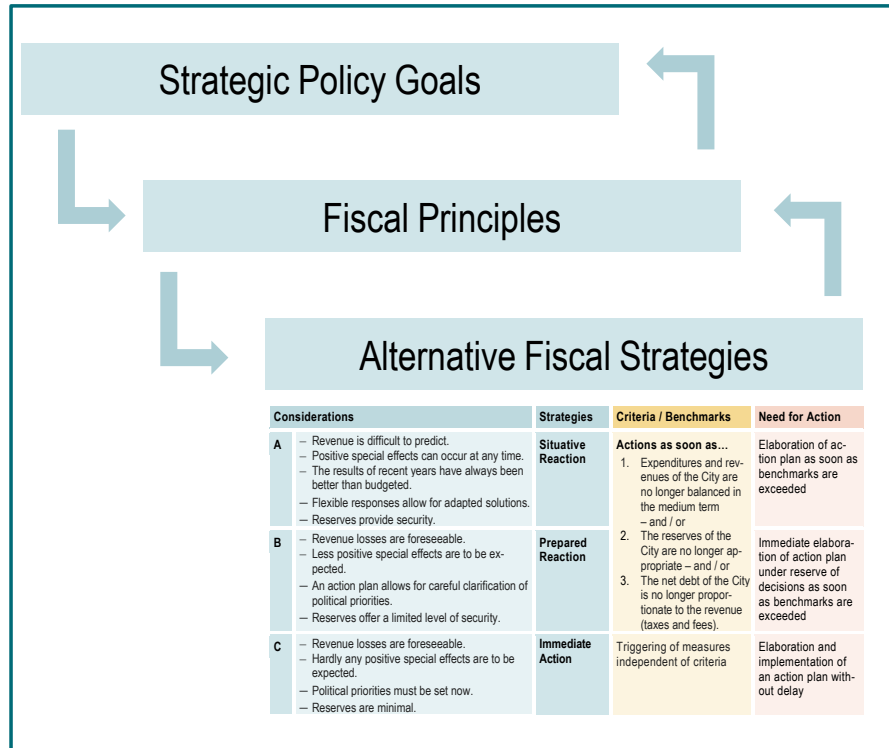
● ...and benchmarks for main principles (pending decision)

# 1. Step: Developing fiscal principles (2)

Fiscal Policy Principles (draft) aligned with Strategic Objectives	
<b>1</b>	<b>The City of Zürich offers attractive conditions for housing and living</b>
1.1	With its fiscal policy, the City secures municipal services (education, health, environment, culture, security, social affairs, etc.).
1.2	With its fiscal policy, the City prevents investment and maintenance deficits in public infrastructures and secures the value of previous investments.
1.3	With its fiscal policy, the City is oriented towards constancy and predictability.
<b>2</b>	<b>The City of Zürich offers attractive conditions for enterprises and science.</b>
2.1	With its fiscal policy, the City is oriented towards constancy and predictability.
2.2	The City promotes anti-cyclical investments.
2.3	The City Council ensures sustainable profit of public enterprises and is committed to their competitiveness in liberalized markets.
<b>3</b>	<b>The City of Zürich has stable public finances and political flexibility.</b>
<b>Result and substance</b>	
3.1	The City seeks to balance public expenditures and revenues in the medium term.
3.2	The City seeks an appropriate public equity reserve.
3.3	The City aims to ensure that public net debt is proportionate to the annual revenue (taxes and fees).
3.4	The City is committed to the reduction of existing debts.
<b>Revenue</b>	
3.5	The City bases its tax policy on public tasks, existing capital, attractive framework conditions and fiscal principles.
3.6	The City regularly reviews the extent to which individual or municipal benefits can be fully or partially financed by fees or charges.
<b>Expenses</b>	
3.7	The City is committed to an economical use of funds.
3.8	The City periodically checks tasks and expenditure for their necessity.
3.9	The City ensures that new investments are funded to a large extent by own resources.

## 2. Step: Developing alternative fiscal strategies

### Long Term Strategic Process



- ...applying the main fiscal principles

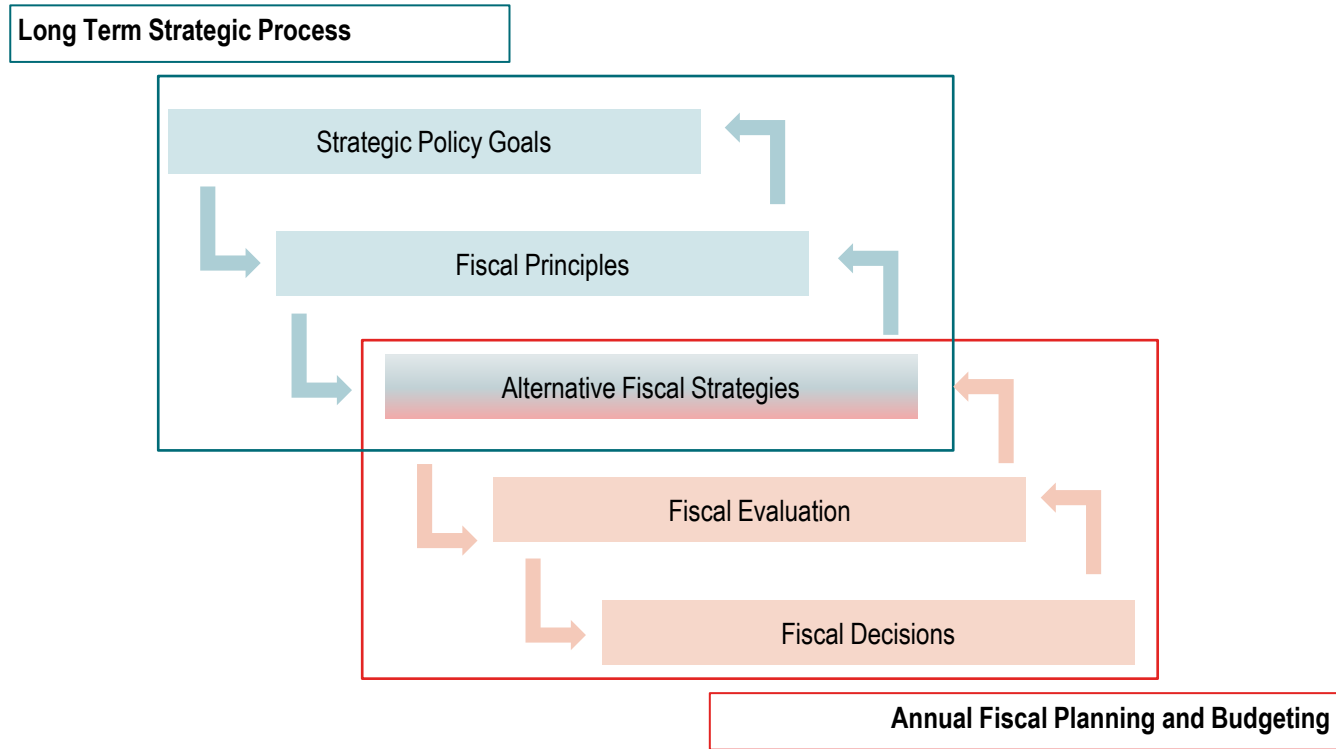
## 2. Step: Developing alternative fiscal strategies

Considerations	Strategies	Criteria / Benchmarks	Need for Action
<b>A</b> <ul style="list-style-type: none"> <li>– Revenue is difficult to predict.</li> <li>– Positive special effects can occur at any time.</li> <li>– The results of recent years have always been better than budgeted.</li> <li>– Flexible responses allow for adapted solutions.</li> <li>– Reserves provide security.</li> </ul>	<b>Situative Reaction</b>	<b>Actions as soon as...</b> <ol style="list-style-type: none"> <li>1. Expenditures and revenues of the City are no longer balanced in the medium term – and / or</li> <li>2. The reserves of the City are no longer appropriate – and / or</li> <li>3. The net debt of the City is no longer proportionate to the revenue (taxes and fees).</li> </ol>	Elaboration of action plan as soon as benchmarks are exceeded
<b>B</b> <ul style="list-style-type: none"> <li>– Revenue losses are foreseeable.</li> <li>– Less positive special effects are to be expected.</li> <li>– An action plan allows for careful clarification of political priorities.</li> <li>– Reserves offer a limited level of security.</li> </ul>	<b>Prepared Reaction</b>	<ol style="list-style-type: none"> <li>1. Expenditures and revenues of the City are no longer balanced in the medium term – and / or</li> <li>2. The reserves of the City are no longer appropriate – and / or</li> <li>3. The net debt of the City is no longer proportionate to the revenue (taxes and fees).</li> </ol>	Immediate elaboration of action plan under reserve of decisions as soon as benchmarks are exceeded
<b>C</b> <ul style="list-style-type: none"> <li>– Revenue losses are foreseeable.</li> <li>– Hardly any positive special effects are to be expected.</li> <li>– Political priorities must be set now.</li> <li>– Reserves are minimal.</li> </ul>	<b>Immediate Action</b>	Triggering of measures independent of criteria	Elaboration and implementation of an action plan without delay



### 3. Step: Bringing it all together

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- Alternative fiscal strategies serve as hinge-joint.

# Annual report with a mid-term perspective

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- Information is needed regarding the implementation of long term policy goals as well as mid- and short-term fiscal perspectives.

## 1. **Basis of Fiscal Policies**

- Legal Basis / Strategic Perspectives / Procedures

## 2. **Economic and Fiscal Developments**

- Economic Developments / Rules and Regulations / Fiscal Assessment

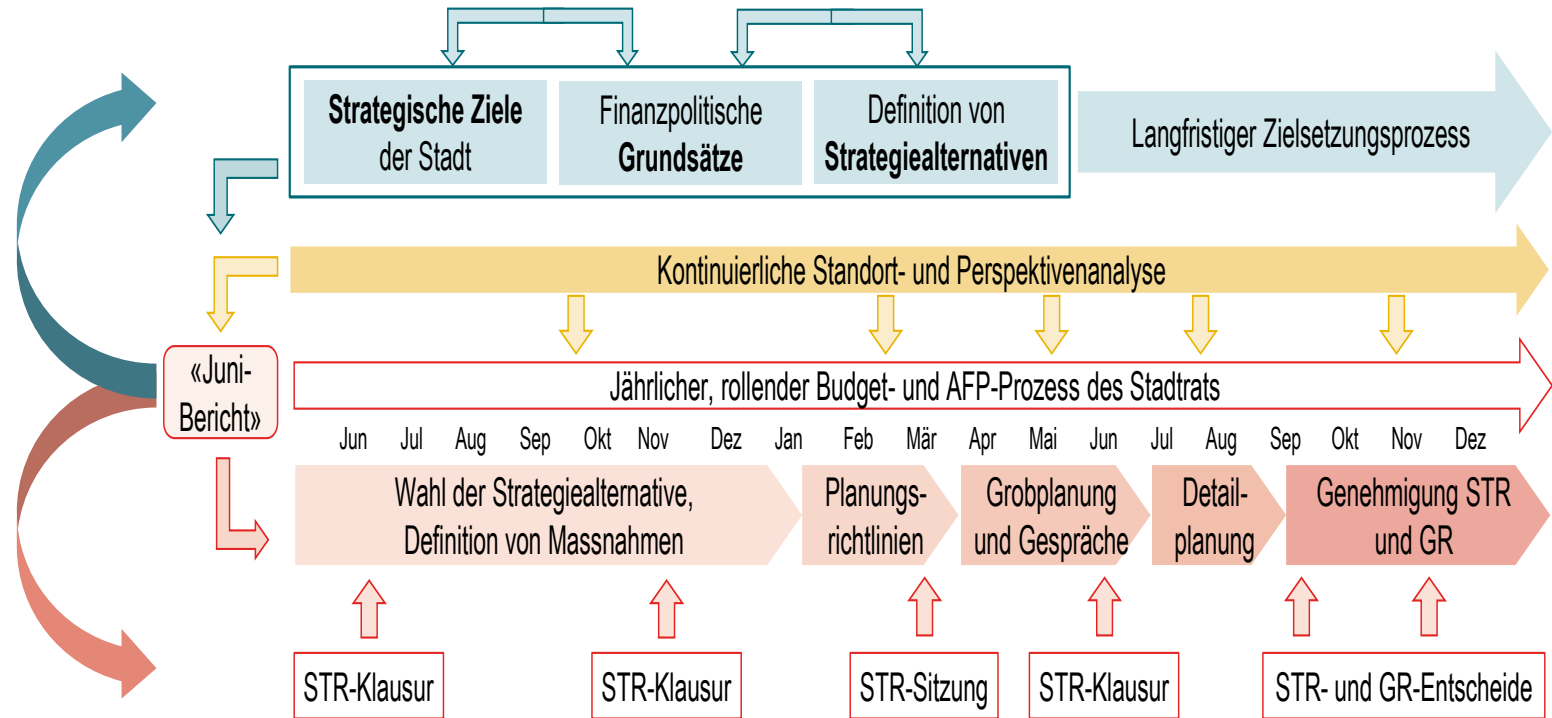
## 3. **Choice of the Fiscal Strategy**

- Assessment of Alternatives / Action Plan

## 4. **Strategic Outlook**

- Eventual Need for New Fiscal Strategies / New Overarching Policies
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## 4. Deciding on alternative strategies



→ This approach offers the opportunity to establish coherence between overarching strategies and fiscal decision-making.