A **GOVERNMENT TECHNOLOGY** GO-TO GUIDE

A **Local Leader's Guide** to Smarter Budgeting, Resilient Operations and Transparent Governance

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Introduction

Local leaders are under immense pressure to manage government operations effectively.

They're grappling with economic volatility, upheavals in federal policy and funding, and a laser focus on government efficiency. Meanwhile, they must contend with rising constituent expectations, resiliency risks, and entrenched budget and staffing challenges.

City and county leaders can leverage modern technology, such as AI and the cloud, to improve government financial management and operational resilience.

"One of the great advantages of technology is that it reduces the cost of moving information to near zero," says Shayne Kavanagh, senior manager of research for the Government Finance Officers Association (GFOA). "It allows financial information to be shared more widely with more people, which certainly has promise for improving the quality of decision-making in government."

However, technology alone won't address all the challenges facing city and county governments. Localities also need to focus on change management and process improvements, and they must foster effective leadership and community engagement to continually improve operations.

"Technology drives change when it's paired with strong leadership and a clear sense of purpose," says Paul Clanton, a senior fellow at the Center for Digital Government (CDG) who previously served in local and county government IT leadership roles.

This guide shows how cities and counties use technology and smarter strategies to:

- **Modernize financial operations**
- **Improve budgeting and transparency**
- **Enhance procurement efficiency**
- **Improve collaboration and decision-making**
- **Strengthen crisis readiness and resilience**

Modernize Financial Operations

Understanding the Challenges

Legacy systems and manual processes create inefficiencies, errors and financial risks, jeopardizing effective stewardship of taxpayer dollars. Justin Marlowe, CDG senior fellow and a leading public finance researcher and expert, says the challenges go even deeper than this.

Traditional financial systems were designed to answer simple questions around how governments use taxpayer dollars, highlighting the differences between what government budgets and what it actually spends. But notions of accountability are shifting, Marlowe says. Constituents today want to know specifics about their return on investment.

"They're asking, 'What are we getting for our dollars?'" he says. "'Are we getting better policing and better schools? Are we getting safer, cleaner air?'"

Legacy systems can't fully answer these questions because they don't effectively track outcomes or provide context around investments and impacts across cities and counties.

Government finance leaders face a host of financial management challenges that hamper modernization. These include revenue uncertainty associated with fears about an economic downturn, elevated operational costs due to inflation, unfunded mandates, growing infrastructure funding needs, the current political environment, and unexpected costs related to natural disasters and cybersecurity incidents.

The Rise of Agentic AI

Local governments can start addressing their finance problems by investing in next-generation tools that digitize and automate financial processes and accelerate service delivery.

For example, local agencies can use modern enterprise resource planning (ERP) systems to centralize and automate financial workflows. These systems use agentic AI, or agent-based AI solutions, to improve efficiency and agility within finance departments.

"Think of agentic AI as something that can operate semi-autonomously or fully autonomously based on a macro goal you give it," says Dustin Haisler, the president of *Government Technology* parent company e.Republic and co-lead for the Center for Public Sector AI.

Agentic AI differs from generative AI in that it doesn't require human prompting. Though a human is still in the loop, AI agents are able to complete tasks on their own.

"It is such a common misconception that 'AI is going to take my job.' What we're seeing is that it augments your ability to do your job."

— Nate Hitchcock, Principal Product Manager, Oracle

AI agents are reshaping the future of finance in several ways. They can be integrated into ERP and other financial systems to automate data ingestion and document creation for various financial processes, such as billing, accounting and recordkeeping. This can streamline the reconciliation process for financial teams, improve forecasting, and help identify waste or overspending.

Agentic AI can produce data visualizations and other contextual insights that help finance teams uncover trends in their data. It can also support forward-looking financial activities, like better scenario planning and real-time fiscal reporting that drives improved resource allocation and compliance.[1] Other use cases include managing and administering grants to reduce backlogs, screening benefits applications for potential fraud,[2] and automating various parts of the auditing and reporting process.[3]

Leaning on the institutional knowledge and expertise of government finance professionals, AI agents get smarter over time. This allows local governments to benefit from automation while accessing more reliable, accurate outputs from AI-driven ERP systems.

"It is such a common misconception that 'AI is going to take my job, it's going to replace me,'" says Nate Hitchcock, principal product manager at Oracle, a leading provider of AI- and cloud-based solutions for state and local governments. "What we're seeing is that it augments your ability to do your job. You weren't hired to sit with a spreadsheet and figure out all these different formulas. You were hired to help the organization plan for these strategic initiatives."

Along with the productivity and enablement benefits, an AI-driven, platform-based approach accelerates modernization. It helps agencies adapt to changing financial and operational demands, and it automates financial processes without the need to invest in or bolt on additional solutions.

Haisler says AI can make complex government financial data more accessible to both internal staff and the public, but the key is to ensure explainability "so that every output has an audit trail that goes back to the source information."

"As government agencies use more AI, we want to avoid that black-box problem, which is basically the notion that we can't exactly explain how it works," Haisler says.

As local governments increasingly use embedded AI tools or AI-enabled ERP systems, they'll need to develop governance policies that outline:

- **How AI will support financial processes**
- **Which decisions will require human approval**
- **How staff will work with technology partners to reduce the risks of AI-related errors and hallucinations**
- **Steps to ensure data integrity and quality**

AGENCY ADOPTS CLOUD PLATFORM TO TRANSFORM DATA INFRASTRUCTURE

Overview: One administrative and financial services agency sought to use data more effectively and transition from its legacy data system to a cloud-based data analytics platform.

Challenge: The agency had been relying on an ad-hoc data warehouse for business intelligence built in the 1990s. The warehouse contained administrative and financial information to share with program administrators, but only a small group of people had the skills to effectively use the warehouse. There were also ongoing issues with data duplication, accessibility and technical complexity. The system was so slow that one employee remarked, “When my customer asks me a question, they’ve lost interest by the time I can provide an answer.”

Solution: The agency transitioned to an analytics cloud platform, giving it a unified solution to streamline and modernize financial operations. The platform also enabled the agency to access advanced AI and machine learning capabilities to support better decision-making.

Results: By modernizing its data infrastructure, the agency was able to create a single point of entry for organizational data, facilitate self-service and custom reporting, and expand data access for employees. This democratized institutional knowledge and increased information sharing across the agency, empowering the organization to maximize the value of its data and deliver more responsive and efficient government.

Improve Budgeting and Advance Public Transparency

Understanding Community Needs

Governments want to make smart budget decisions that align with community needs. The persistent challenge is understanding precisely what those needs are.

"We have an entire generation of taxpayers who have been told that local government can do essentially anything they'd like it to do without them having to pay any more taxes for it," Marlowe says. "It's hard to blame people for that, because that's the message that's been delivered — particularly by state and federal elected officials for a long time now. But that becomes a difficult thing when you actually have to balance a budget at the local level."

Harry Black, a CDG senior fellow and local government official who has and continues to serve in various executive and procurement leadership roles, says that to meet these expectations, governments need modern systems that are "more conducive to 21st century data management."

"If you're not already embarking upon an enterprise resource planning initiative, you need to be," Black says.

Beyond the specific platform, local governments need next-generation capabilities to modernize budgeting. These capabilities include predictive analytics and AI for data sharing and budget optimization as well as improved forecasting and scenario analysis. Adding an AI layer to the budget planning process can also increase transparency while delivering accuracy that supports better resource allocation.

"The tools that we're implementing, we're seeing roughly about a 60% increase in accuracy for forecasting and reporting," Hitchcock says of Oracle's public sector solutions. "These tools are meant to be collaborative. They're meant to have all that data ingested into one single source, which is so important when we talk about financial data."

Implementing public-facing dashboards and tools to engage constituents in the budget process also builds public trust.

For example, Riverside County, California, has incorporated a strong constituent engagement component into its capital planning process. The county launched five budget workshops in early 2025 to collect community feedback and give residents a forum to express their priorities.[4]

The city of Minnetonka, Minnesota, created a community dashboard to give residents a quarterly update on the city's priorities and track performance across key strategic initiatives.[5]

Brookings, South Dakota, does something similar through an Insight Performance Dashboard that tracks key performance metrics across five key areas, including fiscal responsibility.[6]

Rethinking Budgeting

The GFOA's Kavanagh says governments need to introduce more self-skepticism into the budgeting process.

Today, most government budgets are incremental. "We take last year's budget and then we make some changes around the margins depending on this year's revenues," he says. "That tends to be not very self-skeptical. You just take past historical patterns and repeat them. At some point, past historical patterns become irrelevant and perhaps unaffordable. The incremental budget doesn't do a good job of recognizing that."

Instead, budgets need to answer questions about whether taxpayer dollars have been spent well — not just whether spending exceeds a particular threshold.

Approaches like priority-driven budgeting and budgeting for equity invite self-skepticism and could lead to more impactful use of public funds. According to GFOA, budgeting for equity means distributing local government resources in a way that actively addresses and reduces inequities among different groups — such as those based on income levels or geographic location, like rural and urban communities.

"Budgeting for equity is important, first, because it is the ethical duty of local government budget officials to develop a budget that is fair," GFOA said in its 2023 report, "Rethinking Budgeting: Budgeting for Equity," which Kavanagh co-authored.

Budgeting for equity can take many forms. Columbia, South Carolina, implemented an evaluation system that rated programs based on their equity impact. Toledo, Ohio, used data like foot traffic and service calls to identify where budget reductions would adversely impact historically underserved neighborhoods.[7]

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Priority-based budgeting takes a similar community-focused approach. It involves looking at a government's operating budget through a new lens, identifying and ranking programs or services based on whether they align with a community's priorities and then allocating resources accordingly. Officials typically use their annual strategic plan as a guide for making priority-based funding decisions.

The city of Rio Ranch, New Mexico, implemented a priority-based budgeting system, defining the community- and government-oriented outcomes it hoped to achieve based on the goals outlined in its strategic plan. It assessed the costs of the programs and services it delivered, scoring each based on how they contributed to desired outcomes, their potential community impact, regulatory mandates associated with them, the cost recovery potential and other factors. The city also used a "Resource Alignment Diagnostic Tool" to determine how well resources aligned with priorities.[8]

These different budgeting approaches all have one thing in common: They require accurate, trustworthy, high-quality data. And governments need modern technologies to gather and analyze that data to help officials make more informed decisions about spending taxpayer dollars and allocating resources wisely.

Enhance Procurement Efficiency

When Stacy Gregg started her career in public procurement three decades ago, her organization had just begun to use an ERP system. Just six months earlier, her colleagues had to type out purchase orders on four-part forms — everything was manual.

"I say all the time that if I had gotten there the year before, I would not be in procurement right now," says Gregg, a member of the Institute for Public Procurement (NIGP), a nonprofit professional association that serves individuals working in public procurement in North America.

But even decades later, Gregg, who currently serves as the procurement director for South Carolina State University, still had to grapple with manual procurement processes.

Before the pandemic, SC State's open bidding process was only conducted in person. People would walk into her office with an envelope, then Gregg would open it and read its contents aloud. COVID compelled the school — like so many other government organizations — to move that process online.

Technology is now integrated into nearly every facet of procurement, from bidding to contract management. Cloud-based e-procurement platforms help government workforces manage the end-to-end procurement lifecycle.

Technology will continue to help procurement agencies transition from paper-based processes, which are still all too common. One study found that 53% of procurement and supplier management processes aren't digitized.[9]

This could shift with the rise of AI. Gregg says AI is increasingly integrated into procurement. For example, professionals are using it to develop scopes of work and specifications for RFPs and contracts. Gregg cautions that agencies must establish strict governance of AI-generated content, as even a single word can affect the interpretation of a procurement contract.

AI can also help drive efficiencies throughout the procurement lifecycle. The technology automates workflows and makes it easier to vet vendors. It improves pricing and cost analysis and can minimize fraud and bid rigging.

"E-procurement solutions can reduce waste, improve vendor competition and lead to cost savings, as well as more efficient contracting," Black says.

MODERN PROCUREMENT PLATFORM CAPABILITIES[10]

Self-service portals that streamline supplier collaboration: Simplifies supplier onboarding, registration, negotiations, profile management, catalogs, orders, shipments, invoices, forecasts and more.

Centralized contract repository: Provides a unified interface to manage the supplier contract lifecycle, creating a single, secure and searchable source of truth that improves visibility into contract portfolios, obligations, risks and required amendments.

Scorecards to maximize supplier performance: Facilitates structured evaluations that encompass risk attributes, regulatory certifications and supplier capabilities to help governments improve vendor performance.

Analytics that improve strategic sourcing: Surfaces opportunities to drive cost savings, consolidate spending and increase supplier value, helping agencies deliver better outcomes more cost effectively.

Generative AI–powered supplier recommendations and negotiation summary authoring: Speeds the RFP creation process through AI-guided authoring, built-in collaboration, editing and approval workflows.

Automated spend classification: Delivers AI-powered recommendations for classifying requisitions, purchase orders, invoices and expenses, which streamlines financial reporting activities.

Category intelligence: Provides data-driven insights to help procurement teams stay on top of changing market dynamics, delivering timely, relevant information that improves strategic sourcing.

Supplier performance metrics: Allows procurement teams to measure supplier performance against contractual obligations such as price, service and delivery performance.

Spend compliance tools: Drives cost savings by automatically routing purchases to approved suppliers who offer negotiated prices and implementing other automated rules to ensure purchases align with the agency's spending allocations.

Automated purchasing and vendor payments: Streamlines vendor purchases and payments from approved requisitions, purchase order creation and invoice processing.

Improve Collaboration and Decision-Making

Smarter budgeting requires better collaboration across departments and real-time, data-driven analytics. But fragmented systems and silos in local government often make that impossible.

To overcome those challenges, governments should connect finance, budgeting and procurement teams on a common technology platform — one that integrates roles-based dashboards, real-time reporting and other advanced capabilities for more effective cross-departmental communication.

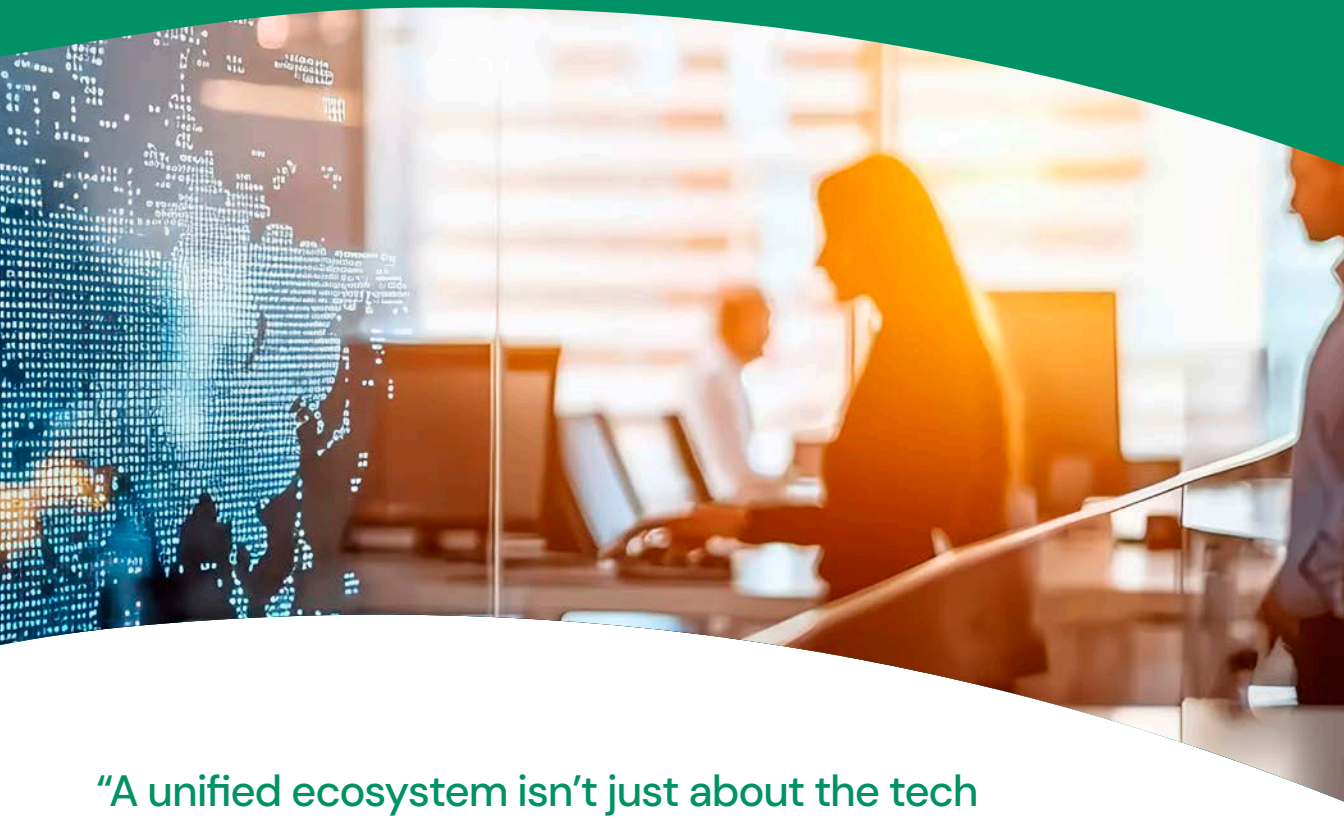
This is another area where AI can be valuable. It can help governments advance transparency and democratize knowledge by:

Unifying information: AI can connect disparate data across a government's information ecosystem, such as constituent comments, emails, public comments, staff feedback and historical data.

Increasing data accessibility: AI can make complex government and financial data more accessible through secure open data portals and dashboards.

Accelerating knowledge sharing: AI can deliver institutional knowledge that persists through election cycles and staffing changes.

"Institutional knowledge is leaving the building. You have new knowledge that's coming in and new thinking. That could be very disruptive," Haisler says. "If you think about AI as an augmentation tool — not just to augment people, but to augment institutional knowledge — then that allows you to have continuity."



“A unified ecosystem isn’t just about the tech stack, it’s about relationships between departments.”

— Paul Clanton, Senior Fellow, Center for Digital Government

AI’s power is its advanced data processing and analysis capabilities. But for local governments to use this technology safely and effectively, they will need to practice good governance. They’ll also need strong policies on data use and sharing, and they will need to reassess their data architecture.

For example, agencies may need to consider a platform that uses a data mesh architecture to support internal teams overseeing their own data products and the sharing of this information. They may need to optimize data warehouse investments to facilitate more secure data storage, or even create a centralized repository for enterprise data with robust yet dynamic access management rules.

The right approach will vary by organization, but overall, it’s important for local governments to build a strong foundation for data ownership, data collaboration and governance that nurtures better decision-making. However, technology is only one consideration.

“A unified ecosystem isn't just about the tech stack, it's about relationships between departments,” says CDG’s Clanton. “When you have departments that are also led by elected officials like you have in counties, team building and trust is critical because it makes people more open to standardization and shared platforms.”

To encourage cross-functional collaboration, Clanton advises leaders to focus just as much on their team as the tools they’re implementing. They’ll need to set the strategic vision, frequently communicate it and work with other stakeholders to create mechanisms for sharing wins.

Strengthen Crisis Readiness and Resilience

Local governments deal with a range of crises that test their resilience, from natural disasters to cybersecurity threats.

According to the National Oceanic and Atmospheric Administration (NOAA), there were 27 weather and climate disasters in the U.S. in 2024, totaling more than $182 billion in damage.[11] Cyber attacks are also increasing: Between May 2023 to May 2024, phishing attacks targeting government agencies increased 360%.[12] Ransomware and malware attacks continue to grow year over year at a rate of 51% and 148%, respectively.[13]

In the face of all these potential disruptions, local governments must bolster their operational and financial resilience.

"Local governments need to be agile in responding to a variety of emergencies, from economic downturns to natural disasters," Black says.

Advanced technology — from integrated data systems to agentic AI and predictive analytics — can help them build this agility.

Integrated Data Systems

These systems drive real-time data access that improves emergency response and resource allocation.

Solutions include dashboards and tools that support real-time communication and information sharing. They allow local governments to do things like track the path of wildfires and other natural disasters, issue evacuation orders and deploy resources more effectively.

Traditional and Agentic AI

AI can support a variety of emergency management activities, including scenario planning, to model crisis response and ensure operational continuity.

San Diego County, for example, has used AI to simulate how wildfires could spread under different weather, terrain and vegetation conditions. Wildfire risk modeling helps the county identify infrastructure and resource

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> — **Dustin Haisler,** Co-Lead, Center for Public Sector AI

vulnerabilities and develop proactive response plans for these potential events.[14] Boston has done something similar, leveraging AI models for flood planning. The technology enables the city to integrate historical and current climate data to model different climate scenarios and infrastructure impacts, helping it test resilience strategies such as elevating utilities or rerouting traffic to strengthen preparedness.[15]

These use cases illustrate how local governments are deploying traditional AI tools. Haisler says agentic AI can also transform crisis readiness and resilience in several ways, such as improving situational awareness for emergency response personnel and optimizing the flow of real-time information in crisis situations.

"Think of someone sitting in an operations command center watching CCTV monitors all day to keep track of everything that is happening. That's a bad use of human capital," Haisler says. "Agentic AI in that domain will be that set of eyes and ears — not in a Big Brother way, but in a way that surfaces relevant information to humans to make informed decisions."

Collaborative Cybersecurity

Many of these same technologies can help local governments build their cyber resilience. Cybercriminals are using AI to automate their attacks, so local governments also need to harness this technology to respond effectively to cyber threats.

"Most attacks today — whether it's a phishing campaign or something else — it's not a human. It's an automated algorithmic or agentic-based attack that is just on the prowl looking for open vulnerabilities," Haisler says.

Local governments can use AI to deploy their own agent-based defenses, mitigating cyberattacks without having to do any explicit prompting.

This AI-enabled approach can help local governments build their resilience by modeling potential attack variants, allowing them to better prepare for different criminal attacks.

But technology alone won't boost governments' security posture. They'll also need to employ other strategies to make cybersecurity a shared responsibility. These strategies include:

- **Establishing minimum cybersecurity standards in vendor contracts**
- **Performing regular security assessments and audits of third-party IT systems**
- **Providing ongoing cyber-awareness training for employees**
- **Forming cross-departmental and cross-agency working groups to perform tabletop training exercises and share threat intelligence and best practices**

Best Practices

Start with data

The path to smarter budgeting, resilient operations and transparency begins with local governments using their data more effectively.

Hitchcock says it's crucial for governments to focus on data quality and the outcomes they want to achieve with data, especially when deploying AI models.

"If you have not provided a clean, understandable data set to the AI," he says, "you're not going to get the insights you're looking for."

Set the vision, build buy-in

Leaders need to develop a strategic vision for their organizations and continuously support change initiatives, especially when momentum slows or sticking points emerge.

Part of setting this vision also means bringing in diverse groups and perspectives. City and county governments shouldn't develop their change management and technology transformation strategies in silos. Instead, they should lean on and incorporate input from cross-functional stakeholders, especially the communities they serve.

Take a people-first approach to technology change

Technology is a core enabler of government resilience, but to maximize it, local governments need to empower their people. Developing AI enablement and literacy programs — as well as robust technology training for other tools — will better position your workforces to use any technology to its full potential.

> "If you have not provided a clean, understandable data set to the AI, you're not going to get the insights you're looking for."
>
> — **Nate Hitchcock,** Principal Product Manager, Oracle

Set KPIs to track progress and measure success

Cities and counties need to establish mechanisms to continuously gather public and employee feedback about what's working and what's not. They also need to be much more outcomes-based, Marlowe says.

For example, some governments track outcomes-based measures such as police response times — rather than just the number of patrols or police officers locally — as a way to assess public safety and the community's perception of it.

Implementing modern systems that align the use of taxpayer dollars to outcomes and impact will enable local governments to track their progress and answer residents' ROI questions.

Build a mission-driven, technology-enabled culture

Technology isn't enough to sustain the transformations that drive smarter budgeting, stronger resilience and transparent governance. Trust, accountability and clear goals must guide these transformations.

"Stay grounded in your core goals — serving the public, being good stewards of resources and creating resilient organizations that can adapt and thrive," Clanton says. "Invest in your teams. Deliberately developing a culture that is built around mutual trust and accountability — with clear values, a compelling vision and a mission that inspires people — will overcome any lack of money and technology. That is truly the advantage we have as a county or city."

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