

Civic Federation
December 24, 2013

The Long-Term Financial Planning Process

For governments undertaking a new long-term financial planning process, the Civic Federation and other organizations recommend proceeding in four stages. The graphic illustration on the next page of the long-term financial planning process is based on the City of San Clemente, California's Long-Term Financial Plan and is reproduced in the Government Finance Officers Association document "Long-Term Financial Planning for Governments" available at <http://www.gfoa.org/downloads/LTFPbrochure.pdf>.

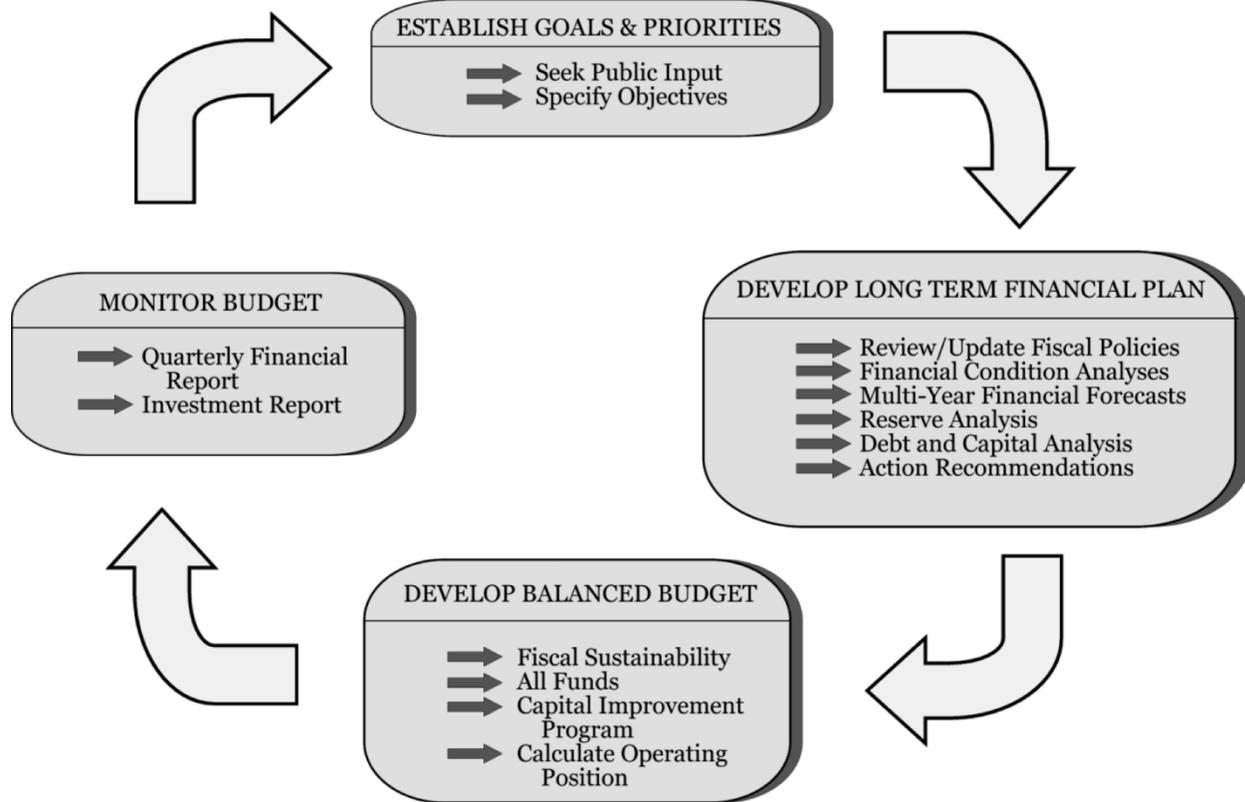
Stage 1: Fiscal and programmatic goals and priorities should be articulated through public input;

Stage 2: The long-term financial plan should evaluate financial and service data in order to determine how to accomplish the goals and priorities. It should include a review of the government's financial policies, a financial condition analysis that presents ten years of historical trend information, multi-year financial forecasts, a reserve analysis, an evaluation of debt and capital obligations and a series of action recommendations;

Stage 3: The insights derived from the long-term financial plan should directly inform the development of a balanced budget that is fiscally sustainable each year; and

Stage 4: The plan should then be regularly monitored to ensure its viability by means of regular financial reports.

Long-Term Financial Planning Process



If a government chooses not to undertake a full long-term financial planning process, then at a minimum an annual document should be developed and published that would include:

1. A description of financial policies, service level targets and financial goals. Each policy should be reviewed using relevant forecasting data to determine if the policy is being followed, if the policy should be amended and if new policies should be added;
2. A scorecard or rating of the financial indicators as part of the financial analysis that assesses whether the trend is favorable, warrants caution, is a warning sign of potential problems or is unfavorable;
3. Possible strategies, actions and scenarios needed to address financial imbalances and other long-term issues. For example, a discussion of the long-term implications of continuing or ending existing programs or adding new ones. These actions should include information on fiscal impact and ease of implementation; and
4. Sufficient stakeholder input including holding a public hearing for decision makers and the public to provide meaningful input on a long-term financial strategy to address the government's financial challenges.