

# 10 Steps

## to Long-Term Financial Planning

Beyond the annual budget cycle and multi-year capital plan, governments need to identify long-term financial trends. Long-term financial planning involves projecting revenues, expenses, and key factors that have a financial impact on the organization. Understanding long-term trends and potential risk factors that may impact overall financial sustainability allows the finance officer to proactively address these issues. A long-term financial planning process allows decision-makers to focus on long-term objectives, encourages strategic thinking, and promotes overall awareness for financial literacy in an organization.

Long-term financial planning relates to strategic planning, financial policy development, capital improvement planning, and budgeting, but it is inherently different, as our 10 steps show.



- 1** Establish and organizational vision for finance to guide decision making (financial policy development)
- 2** Work to achieve organizational alignment and integration of financial planning in other key planning processes (master planning, strategic planning)
- 3** Forecast long-term revenue and long-term expenses (capital improvement planning, budgeting)
- 4** Set utility rates and policies on user charges
- 5** Identify unfunded liabilities, including pension-related issues (long-term financial planning, capital improvement planning)
- 6** Assess infrastructure condition and determine long-term maintenance, repair, and replacement needs
- 7** Determine long-term debt capacity
- 8** Conduct a general environmental scan that includes economic, community, and political/regulatory trends that may impact the organization's financial position (strategic planning)
- 9** Identify and assess potential risks including those from natural disasters, economic shocks, or other societal issues that may cause financial distress
- 10** Identify strategies to take that will accomplish long-term financial planning targets and mitigate potential risks