**SAMPLE**

**City of Example**

**Long-Term Financial Planning Policy**

**(Last Updated January 24, 2022)**

**Purpose**

Long-Term Financial Planning is performed to ensure that the City of Example has sufficient resources to achieve its long-term objectives. The purpose of this Policy is to:

* Establish the financial planning methodology to ensure the preparation of consistent, comparable, long-term financial plans.
* Identify revenue enhancement and cost saving strategies in order to maintain or improve service delivery; and
* Provide information to policy makers regarding the availability of resources to provide future services.

**Financial Plan Preparation**

Following are the main steps in preparing the long-term financial plan:

1. ***Status Quo Assessment***

Perform a Status Quo assessment of the City using the following criteria:

1. Historical analysis of the City’s financial results (based on annual financial statements);
2. The City’s current financial condition;

(b) Current revenue sources;

(c) Main cost drivers impacting the sustainability of the City’s services;

(d) Status of and ability to finance capital assets; and

(e) Significant potential risks faced by the City (examples of risks include legislation and legal rulings; changes to health benefit plans; regional economic trends; and capital asset funding gaps).

1. ***Estimate Expenditures and Revenues***

Prepare an estimate of the City’s expenditures for each of the next five years based on its goals, plans, and objectives. Conservatively estimate the revenues that are reasonably expected to be available each of the next five years, and where those revenues are expected to come from.

This estimate of revenues and expenditures should be done in conjunction with the annual budget. Although the level of detail will be less in the long-term financial plan than for the annual budget, the first year of the long-term financial plan should agree to the budget.

1. ***Prepare Long Term Financial Plan***

Prepare the long-term financial plan that shows the 10-year revenue/expenditure projections. Include a description, anticipated timing, amount, source, and confidence level for each revenue item. Include a description, anticipated timing, cost, potential funding source, and confidence level for each liability or obligation. The Plan shall also include key assumptions used in preparing the projected amounts.

Identify funding gaps where expenditures exceed revenue each of the next five years. For the funding gaps identified, identify options for closing those gaps, including pursuit of new revenue sources, expenditure reduction, and use of reserves.

**Planning Principles**

Financial planning and budgeting shall be based on the following principles:

**•**  Revenue projections shall be estimated conservatively to minimize the possibility that economic fluctuations could jeopardize ongoing service delivery during the planning period.

**•**  Expenditure estimates shall anticipate needs that are reasonably predictable during the planning period, including acquisition and maintenance of capital assets.

**•**  Financial plans shall identify assumptions used in their preparation and significant potential risks if actual outcomes differ from assumed outcomes.

**•**  Clearly call out anticipated changes to service levels and funding not yet approved by the Commission.

**•**  Quantify any funding gaps between projected revenues and expenses to meet current or future anticipated service levels.

**•**  Include strategies to address significant funding gaps. Strategies may include requests for additional resources, proposed fee increases, service level reductions, divestment, or other strategies.

**•**  Be delivered to Commission each year. Requests for additional resources should be sought in a timely manner to address identified funding gaps.

**Annual Review of Financial Plan**

The financial plan will be reviewed and updated on an annual basis in conjunction with the preparation of the annual budget. Although a long-term financial plan provides a forecast of potential outcomes, its success remains in continuous evaluation and revision. The financial plan should be seen as a working document and should be subject to honest and realistic assessments of successes and failures on a regular basis.