



**LONG-TERM FINANCIAL
PLANNING POLICY**

CITY OF FOLEY, ALABAMA

AUGUST 2019

Date Adopted by City Council: August 19, 2019

Resolution No.: _____

LONG-TERM FINANCIAL PLANNING POLICY

PURPOSE OF POLICY

The purpose of the Long-Term Financial Planning Policy is to establish a series of principles that will ensure the City's ongoing financial sustainability beyond a single fiscal year budget cycle. A City's long-term financial performance and position is sustainable when planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

SCOPE

The **Long-Term Financial Plan (LTFP)** will consider all of the City's appropriated funds.

OBJECTIVES

The **Long-Term Financial Plan** is a forward-thinking financial strategic plan, intended to serve as a tool that will provide the City Council, Mayor, City Administrator, and Finance Director with the insight required to address issues impacting the City's financial condition.

The LTFP is intended to help the City achieve the following:

1. Ensure the City can attain and maintain financial sustainability;
2. Ensure the City has sufficient long-term information to guide financial decisions;
3. Ensure the City has sufficient resources to provide programs and services for the citizens;
4. Ensure potential risks to on-going operations are identified in the long-term financial planning process and communicated on a regular basis;
5. Establish mechanisms to identify early warning indicators;
6. Identify changes in expenditure or revenue structures needed to deliver services or to meet the goals adopted by the City Council; and
7. Identify the major financial and operational challenges and opportunities that the City will face over the next ten years.

PROCESS

- A. Long-Term Financial Planning is the process of aligning financial capacity with long-term service objectives. This process combines financial forecasting with strategizing. During the process, known internal and external issues impacting the City's financial condition are evaluated. Such issues are identified, presented, and mitigated when and where possible.
 1. The process begins by identifying critical areas which have, or are expected to have, an impact on the financial condition of the City over the next ten years.
 2. Once the issues are identified, specific goals and objectives are developed for each structural deficiency.
 3. With input provided by Directors, the City Administrator and the Finance Director are responsible for the development of the LTFP and its presentation to the City Council.

4. The LTFP is a constantly changing and moving document which will be routinely updated, during the annual budget process, and presented on an ongoing ten-year rolling basis.
- B. **Time Horizon** - The LTFP will forecast revenues, expenditures, and financial position ten years into the future, or longer where specific issues call for a longer time horizon.
- C. **Comprehensive Analysis** - The LTFP will provide meaningful analysis of key trends and conditions, including but not limited to:
1. Analysis of the affordability of current services, projects, and obligations:
 - a. An analysis of the City's environment in order to anticipate changes that could impact the City's service and/or financial objectives.
 - b. Revenue and expenditure forecasts, including the financial sustainability of current service levels over a multi-year period.
 - i. Forecasts of future revenues and expenditures will be based on the City's current sources of revenue and levels of service, after applying assumptions about economic conditions, future spending scenarios, and other variables.
 - ii. The key assumptions used will be clearly stated in the document.
 - iii. Actual amounts may not occur, or may occur differently from forecasted amounts, as a result of changes to the underlying assumptions.
 - c. The affordability of current debt relative to affordability ratios prescribed by City policy and/or State law.
 - d. The impact of other non-current liabilities on the City's financial position.
 - e. The affordability of maintaining and replacing the City's current capital assets.
 - f. The ability to maintain reserves within the target ranges prescribed by the City's Fund Balance Policy over a multi-year period.
 2. Analysis of the affordability of anticipated service expansions or investments in new assets:
 - a. The operating costs of any new initiatives, projects, or expansion of services where funding has been identified through alternative sources (grants, debt issuance, etc.) or approved by the City Council through other actions. Service delivery of administrative services and functions shall be included to the extent needed proportionately with the expansion of other services.
 - b. The affordability of the City's Multi-Year Capital Projects Plan and projects identified in the City's Comprehensive Plan, including operating and maintenance costs for new assets.
 - c. The affordability of other plans or projects that call for significant financial investment by the City.
 3. Presentation of the above to describe the City's financial position:
 - a. A clear presentation of the resources needed to accomplish the capital improvements identified in the City's Multi-Year Capital Projects Planning

Document and to maintain the existing capital assets.

- b. A clear presentation of the resources needed to maintain existing services at their present level in addition to the expansion of services as may have been identified through the analysis described above.
 - c. Identification of imbalances between the City's current direction and the conditions needed for continued financial health.
4. **Solution-Oriented** - The LTFP will identify issues that may challenge the continued financial health of the City, and the plan will identify possible solutions to those challenges.
- a. Planning decisions shall be made primarily from a long-term perspective and structural balance is the goal of the planning process.
 - b. For the purpose of this policy, structural balance means that ending fund balances must meet the minimum levels prescribed by the City's Fund Balance Policy.
- D. **Non-Current Liabilities** - In an effort to ensure that critical long-term liabilities like debt service, asset maintenance, pensions, and other post-employment benefits remain affordable, the LTFP will address strategies for ensuring that the City's long-term liabilities remain affordable.
- E. **Structural Balance** - Long-term structural balance is the goal of long-term financial planning at the City. Should the long-term forecasting and analysis show that the City is not structurally balanced over the ten-year forecast period; the City Administrator and Finance Director would then make recommendations, for the City Council consideration, on how the plan can be brought into balance.
- F. **Monitoring and Updating** - As a process that supports the City's overall planning, budgeting, and evaluating structure, the maintenance of the LTFP will provide the City with updated indicators that can be used to determine (i) whether the City's financial performance and position is within the ranges established within the LTFP; and (ii) the extent to which trends in the financial indicators demonstrate either current or impending financial challenges that require the City to adjust its financial principles and policies. The City intends to update the LTFP annually, based on:
1. The most recent operating and capital budgets, which will update the financial forecasts of revenues and expenditures by forming the base year for the remainder of the project period;
 2. The most recent financial position of the City, including but not limited to reserve and reserve fund balances, investment balances, long-term liabilities and debt outstanding, which will reflect changes to the financial operating environment since the initial financial forecast considered in the LTFP;
 3. Revised key assumptions, which will reflect changes to the financial operating environment since the initial financial forecast considered in the LTFP.