



Unified Government of Wyandotte County
and Kansas City, Kansas

Commission Resolution:
R-35-18
Adopted: 07/26/2018

Long-Term Financial Planning Policy

I. Authority:

The Mayor and the Board of Commissioners are responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies which establish and direct the operations of Unified Government (UG). The County Administrator is responsible for carrying out the policy directives of the UG Board of Commissioners and managing the day-to-day operations of the executive departments, including the Finance Department. This policy shall be administered on behalf of the County Administrator by the Chief Financial Officer and the Budget Director.

II. Purpose:

The purpose of this policy is to ensure the Unified Government's on-going financial sustainability beyond a single fiscal year budget cycle in light of our long-term service vision and objectives. Financial sustainability is defined as the UG's long-term financial performance and positioning where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services. This policy is intended to describe particular elements or aspects of such long-term planning Programs within the UG and to memorialize this financial practice into a formal policy.

III. Applicability and Scope:

This policy is applicable to all funds with a minimum reserve requirement set by official action of the Board of Commissioners.

IV. Policy:

A. Commitment to Long-Term Financial Planning - The LTFP process evaluates known internal and external issues impacting the Unified Government's financial condition. Such issues are identified, presented, and mitigated when and where possible. The process begins by identifying critical areas which have, or are expected to have, an impact on the financial condition of the UG over the next five years. Once the issues are identified, specific goals and objectives are developed for each structural deficiency.

The LTFP is a constantly changing and moving document which will be routinely updated and presented on an ongoing five-year rolling basis. The LTFP is incorporated into the Unified Government's annual budget process and presented to the Mayor, the Board of Commissioners, and staff prior to and/or throughout the formulation of the annual financial plan.

The LTFP is intended to help the Unified Government achieve the following:

1. Ensure the UG can attain and maintain financial sustainability;

2. Ensure the UG has sufficient long-term information to guide financial decisions;
3. Ensure the UG has sufficient resources to provide Programs and services for the stakeholders;
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; and
6. Identify changes in expenditure or revenue structures needed to deliver services or to meet the goals adopted by the Board of Commissioners.

B. Scope of the Plan

1. Time Horizon - The LTFP will forecast revenues, expenditures, and financial position at least five years into the future or longer where specific issues call for a longer time horizon.
2. Comprehensive Analysis - The LTFP will provide meaningful analysis of key trends and conditions, including but not limited to:
 - a. Analysis of the affordability of current services, projects, and obligations:
 - i. An analysis of the Unified Government's environment in order to anticipate changes that could impact the government's service and/or financial objectives.
 - ii. Revenue and expenditure projections, including the financial sustainability of current service levels over a multi-year period.
 - iii. The affordability of current debt relative to affordability ratios prescribed by UG policy and/or State law.
 - iv. The affordability of maintaining and replacing the UG's current capital assets, equipment and facilities.
 - v. The ability to maintain reserves within the target ranges prescribed by UG policy over a multi-year period.
 - vi. The impact of non-current liabilities on the UG's financial position.
 - b. Analysis of the affordability of anticipated service expansions or investments in new assets:
 - i. The operating costs of any new initiatives, projects, or expansion of services where funding has been identified through

alternative sources (CMIP, grants, debt issuance, etc.) or adopted or approved by the Board of Commissioners through other actions. Service delivery of administrative services and functions shall be included to the extent needed proportionately with the expansion of other services.

- ii. The affordability of the UG's long-term CMIP, including operating and maintenance costs for new assets.
- iii. The affordability of other master plans that call for significant financial investment by the Unified Government.

c. Synthesis of the above to present the UG's financial position:

- i. A clear presentation of the resources needed to accomplish the capital improvements identified in the UG's CMIP and to maintain the existing capital assets.
- ii. 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.
- iii. Identification of imbalances between the UG's current direction and the conditions needed for continued financial health.

3. **Solution-Oriented** - The LTFP will identify issues that may challenge the continued financial health of the Unified Government, and the plan will identify possible solutions to those challenges. Planning decisions shall be made primarily from a long-term perspective and structural balance is the goal of the planning process. For the purpose of this policy, structural balance means that ending fund balance (or working capital in enterprise funds) must meet the minimum levels prescribed by UG reserves policies.

- C. Relationship between Financial and Strategic Planning** – The UG's annual budget process involves incorporating the goals and strategies identified by the Board of Commissioners into an operational plan that provides for the Government's highest priority needs. Strategic planning begins with determining the UG's fiscal capacity based upon long-term financial forecasts of reoccurring available revenues and expenditures.
- D. Continuous Improvement** – Unified Government staff will regularly look for and implement opportunities to improve the quality of the forecasting, analysis, and strategy development that is part of the planning process. These improvements will primarily be identified through the comparison of projected performance with actual results.
- E. Structural Balance** - Long-term structural balance is the goal of long-term financial planning at the UG. A multi-year financial plan exists where future issues are identified, and possible solutions are identified, if not implemented; revenue and expenditure

decisions are made primarily from a long-term perspective. Structure balance is a clear goal.

In preparing the plan and based on available data, staff will analyze long-term trends and projections of revenues, expenditures, debt, deferred capital maintenance, and non-current liabilities in order to uncover potential long-term imbalances. Should the long-term forecasting and analysis show that the Unified Government is not structurally balanced over the five-year projection period; staff would then identify alternative strategies needed to address the issues and make recommendations, for the Board of Commissioners consideration, on how the plan can be brought into balance.

- F. Non-Current Liabilities, Pensions and Other Post-Employment Benefits (OPEB) -** The LTFP will address strategies for ensuring that the UG's non-current liabilities remain affordable. The Board of Commissioners supports efforts to ensure that critical non-current liabilities like debt service, asset maintenance, pensions and other post-employment (retiree health) benefits remain affordable and sustainable. The long-term financial planning process will seek to alleviate concerns about pension and other post-employment (retiree health) benefits by making it clear the need to assess the size of the liability, determine the Government's capacity to pay for it, and develop approaches to ensure that the liability does not compromise the Government's ability to provide services to the public over the long term.

V. Quality Control and Quality Assurance:

It is the responsibility of the Chief Financial Officer to ensure the presence of procedures that provide sufficient guidance to affected UG personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and updated on an as-needed basis.

VI. Metrics:

To be developed and managed accordingly.

VII. Definitions and Acronyms:

- A. Business Plan - An operational plan that describes how a given department will accomplish its mission.
- B. Capital Maintenance and Improvement Plan (CMIP) - A plan that describes the capital projects and associated funding sources the Unified Government intends to undertake in the current year plus five additional future years, including the acquisition or construction of capital projects, facilities, equipment and capital assets, and the maintenance thereof.
- C. Long-Term Financial Plan (LTFP) - An investment plan or strategy with a term of usually longer than one year.
- D. Program - A set of activities, operations, or organizational units designed and directed to accomplish a specific service outcomes or objectives for a defined customer.

VIII. Related Documents and References:

- A. Operating and Capital Budget Policy
- B. Capital Asset and Equipment Investment and Management Policy
- C. General Fund Operating and Economic Uncertainty/Emergency Reserve Policy
- D. Special Revenue Operating Fund Reserve Policy
- E. Enterprise Operating and Internal Service Funds Reserve Policy
- F. County Administrator policies as applicable