

Looking Ahead: Long-Term Financial Planning

- **Why Do Fiscal Forecasts?** Forecasting helps the agency think about the factors affecting the agency's fiscal health (and what can and cannot be done about them). Forecasting also helps elected officials, staff and the community understand the long-term fiscal challenges and opportunities they face, as well as possible advance warning of future uncertainties (for example, voter initiatives and state budget decisions).
- **Recognize Limitations.** Circumstances change and assumptions become outdated. Clearly stating the agency's assumptions in making a forecast encourages the review, and re-evaluation of those assumptions, when necessary.

Questions to Ask

- Does the agency periodically prepare and / or update a long-term fiscal forecast?
- If so, does the forecast take into account key variables relating to revenues and expenses? Variables include demographic factors like changes in population and caseloads. They can include economic factors like inflation, new construction, property values and the overall business climate (which can affect sales taxes). Other external factors can include legislative developments and court decisions. Projected costs related to pension obligations and labor agreements are another potential variable.
- Does the forecast reach clear conclusions about what these variables mean for the agency's future revenues and expenses?
- Does the forecast also identify areas of risk and uncertainty that may limit the degree to which the agency can rely on the forecast?
- To what extent are the results of the forecast shared with decision-makers, the news media and the public?
- What level of detail do decision-makers want to receive regarding the agency's long-term financial planning? (Some governing bodies will want fairly detailed information whereas others will want bigger picture information. There is not a right level of detail – the goal is to give governing body members the level of detail that makes them comfortable.)

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The Institute welcomes feedback on resource:

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