

Tahoe City Public Utility District Financial Policy

Long-Term Financial Planning Policy

Policy Number: 2005

I. PURPOSE

This policy is established to set forth an annual process designed to ensure the long-term financial sustainability of the District while providing a consistent level of service. The Long-Term Financial Planning (LTFP) process shall identify and evaluate known internal and external issues that may impact the District's financial condition over the next ten years. The LTFP will include a ten year forecast of operating and capital expenses and will be updated prior to the start of the annual budget process.

II. POLICY OVERVIEW

The establishment of a LTFP process is intended to ensure the District establishes mechanisms to identify early warning indicators and has sufficient long-term information to guide financial decisions and help the District achieve the following goals:

- Achieve long-term financial sustainability;
- Maintain financial flexibility to meet needs of the District's constituents;
- Ensure the District has sufficient resources to provide programs and maintain service levels;
- Ensure potential risks to on-going operations are identified, adequately addressed, and communicated on a regular basis; and
- Identify changes in expenditure or revenue structures needed to deliver services or meet the strategic goals adopted by the Board

III. DEFINITIONS

As used in this policy, the following terms shall have the meanings specified below:

- a. Board – The lawfully elected or appointed governing body of the TCPUD.
- b. Constituents – Residents, property owners, ratepayers, customers, beneficiaries of services, business owners, and voters within the District's boundaries.
- c. District – The Tahoe City Public Utility District (District or TCPUD).
- d. Financial forecasting – The process of projecting revenues and expenditures over a long-term period, using assumptions about economic conditions, future spending scenarios, and other salient variables.
- e. Long-Term Financial Planning Process – A highly interactive annual process of aligning financial capacity with long-term service objectives over an extended period of time.
- f. Long-Term Financial Plan (LTFP) – a document separate from the budget process which supports the long-term financial planning process. The document contains trend projections, analysis, decisions and an execution strategy. Operating Expenses – expenditures incurred as a result of performing normal and routine business operations of the District.
- g. Policy – This “Long-Term Financial Planning Policy.”

IV. PROCESS

General:

District staff shall annually develop an updated LTFP that forecasts District revenues, and operating and capital expenditures for the following ten year period. The LTFP should be updated prior to the start of the annual budget process and should be a separate document from the annual budget document. As part of the annual budget process, District staff will advise the Board of potential long-term positive and adverse trends along with an analysis of the impacts of the trends.

The financial forecast will assume current, Board established goals for level of services, and should include any known changes that will occur during the forecast period. The forecast and LTFP shall reference and follow all adopted District Financial Policies. If the financial forecast does not depict a positive operating position at any point in the forecast period, the District will begin planning actions necessary to balance the financial forecast. The LTFP should evaluate trends from a budget-to-actual perspective and from a historical year-to-year perspective to identify areas where resources may have been over-allocated. This would improve the accuracy of revenue and expenditure forecasting by eliminating the impact of recurring historical variances.

The District will use the long-term financial planning process framework established by the Government Finance Officers Association (GFOA), which contains the following four major phases:

1. **Mobilization Phase** – prepare the organization for long-term planning by creating consensus on what the purpose and results of the planning process should be.
2. **Analysis Phase** – produce information that supports planning and strategizing. The analysis phase includes the projections and financial analysis commonly associated with long-term financial planning.
3. **Decision Phase** - decide how to use the information provided.
4. **Execution Phase** - after the plan is officially adopted, strategies must be put into action (e.g. funding required in achieving goals). The execution phase is where the strategies become operational through the budget, financial performance measures, and action plans.