



# **Strategic resilience: The importance of long-term financial planning for local governments**

WCMA Winter Conference  
Feb. 26, 2026

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# Core objectives of this session

## Understanding long-term financial planning

- Learn the definition and key components of long-term financial planning beyond annual budgeting.

## Rationale for long-term perspective

- Explore reasons for long-term planning including demographic and population changes, infrastructure lifecycle and external risks.

## Tools and best practices

- Learn about multi-year financial modeling, scenario analysis, performance metrics and community engagement strategies.

## Practical techniques to align strategy and budget

- Explores practical methods for connecting strategic goals to financial decisions, ensuring budgets actively support long-term priorities, capital needs and measurable outcomes.

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# **Understanding long-term financial planning**

# Differences between an annual budget and a long-term financial plan

Annual budget	Long-term financial plan
Short-term focus - prioritizes immediate needs over long-term sustainability	Forecasts financial future over an extended period (5 years or more)
Reactive rather than proactive - addresses immediate needs rather than planning ahead for future needs	Provides framework for addressing fiscal challenges proactively
Lack of strategic alignment - does not align with strategic or capital improvement plans	Anticipates challenges and aligns resources with prioritized initiatives and community goals
Budget decisions can be influenced by short-term political priorities or election cycles rather than sound financial planning	Helps set long-term priorities, make informed decisions and ensure financial sustainability



# Long-term financial plan

## Core components:

- Multi-year financial modeling – revenue forecasting and expenditure planning
- Scenario analysis for different risks and changes
- Capital improvement planning
- Debt management strategies
- Performance metrics to track progress
- Community engagement for transparency and trust
- Evolving and adaptable – not bookshelf material



# Benefits of long-term financial planning



## Strategic vision

Integrates with other planning processes



## Big-picture thinking

Aligns financial decisions with long-term goals



## Risk management

Helps identify potential risks and causes of fiscal distress



## Policy compliance

Tools for evaluating compliance with financial policies



## Financial stability

Ensure resources are available to meet future obligations and opportunities



## Reduced stress

Plan in place allowing for pre-emptive actions



## Goal achievement

Increases likelihood of achieving priorities by providing a clear roadmap



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# **The rationale for a long-term perspective**

# Changing demographics and population trends



## Aging population

More retirees may mean less income tax revenue or potentially lower consumer spending, reducing sales tax collections  
Increased demand for healthcare and senior services can strain budgets



## Population decline or outmigration

Fewer residents reduce property tax revenue and utility fees  
Rural areas experiencing youth migration to urban center reducing rural tax base and revenue



## Rapid population growth

While growth can increase revenue, it also raises costs for infrastructure, schools and public safety  
Local government may struggle to keep pace with service demands

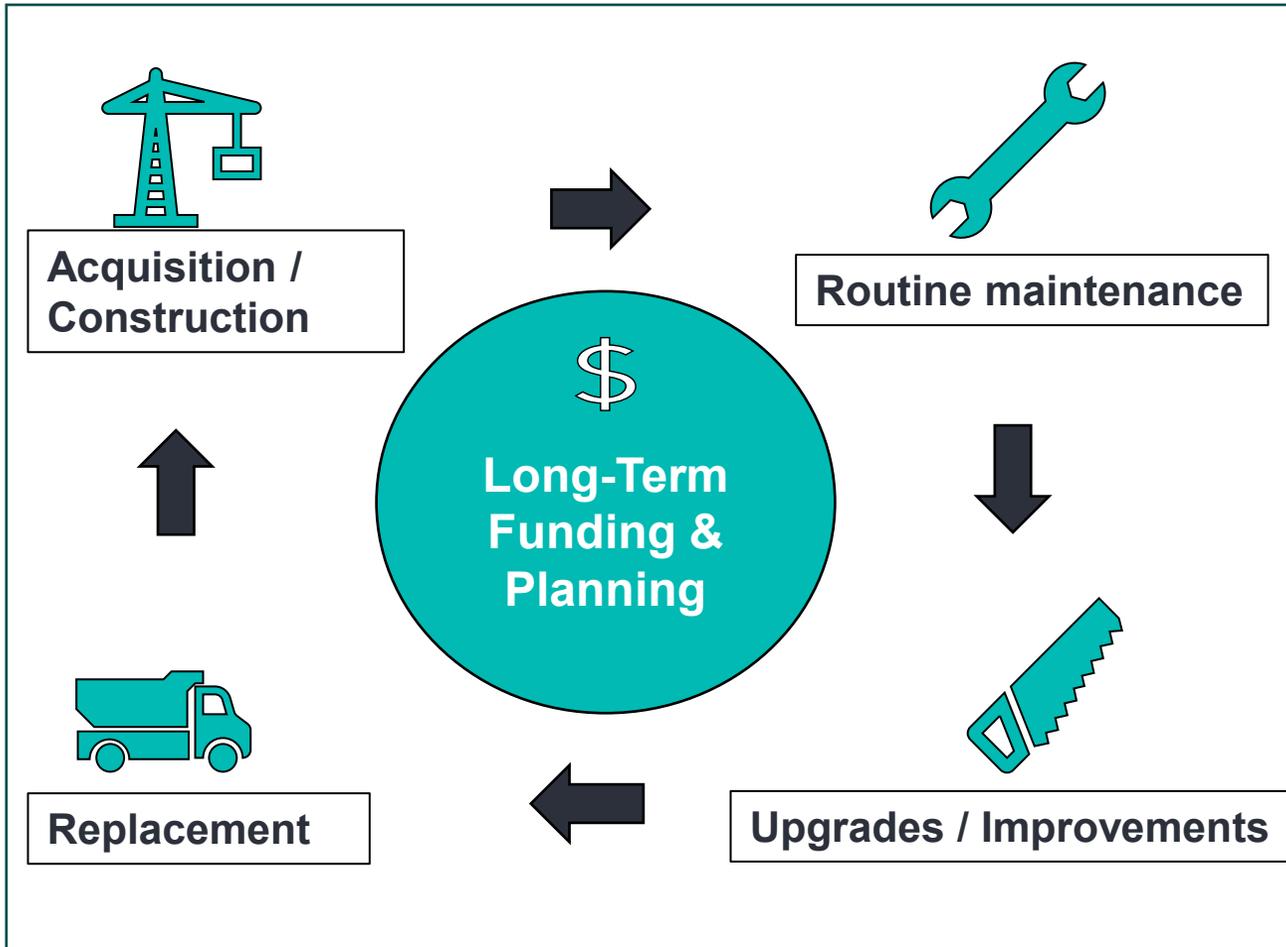


## Urbanization vs. suburban/rural shifts

Movement from cities to suburbs can redistribute tax bases, leaving some jurisdictions with declining revenues and others with infrastructure strain



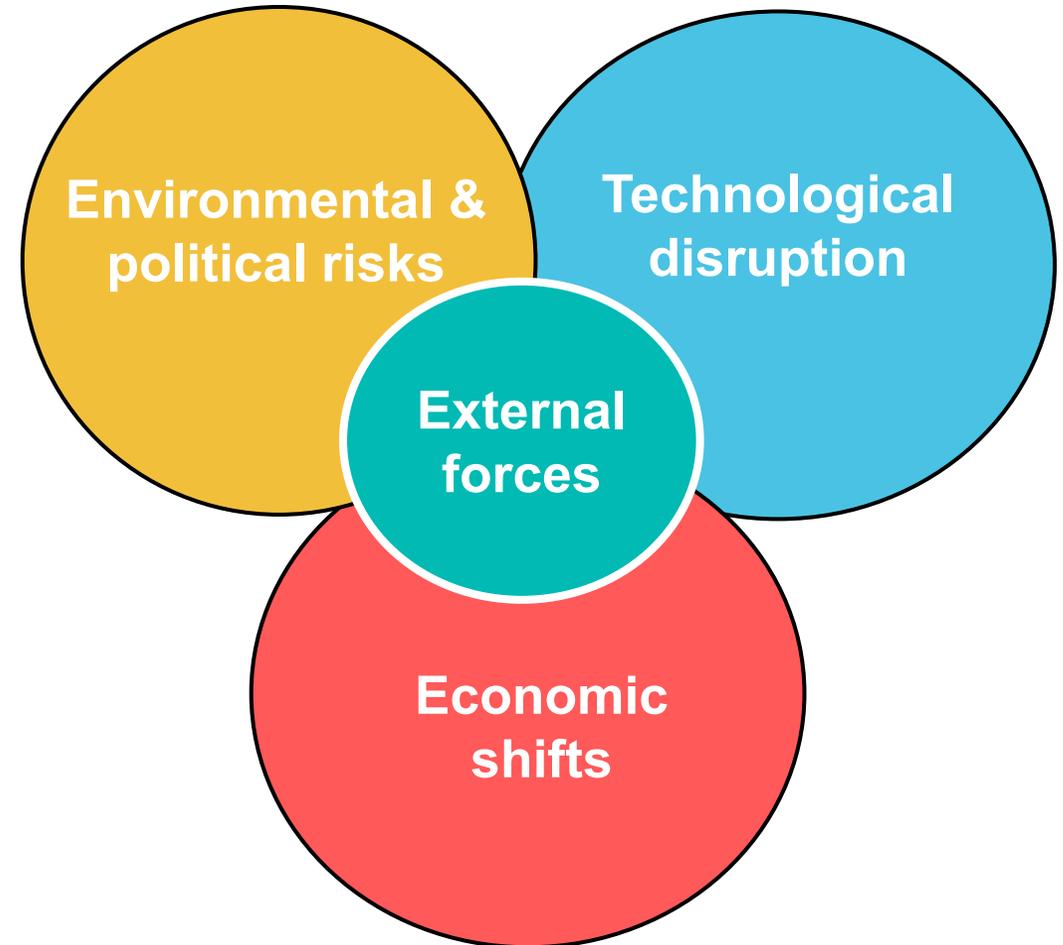
# Infrastructure lifecycle management



- Public assets (roads, utilities, buildings) have long lifespans and require ongoing maintenance, upgrades and eventual replacement.
- Long-term planning ensures funding is available for both routine maintenance and major capital projects, preventing costly emergencies.
- Aligns capital improvement plans with community growth and strategic objectives.

# Environmental & political risks, technological disruption and economic shifts

- Environmental regulations and legislative changes can create new financial pressures and risks.
- Rapid technological changes may require new investments or render existing assets obsolete.
- Economic volatility (recessions, inflation, market shifts) can impact revenues and expenditures, requiring flexible, forward-looking strategies.



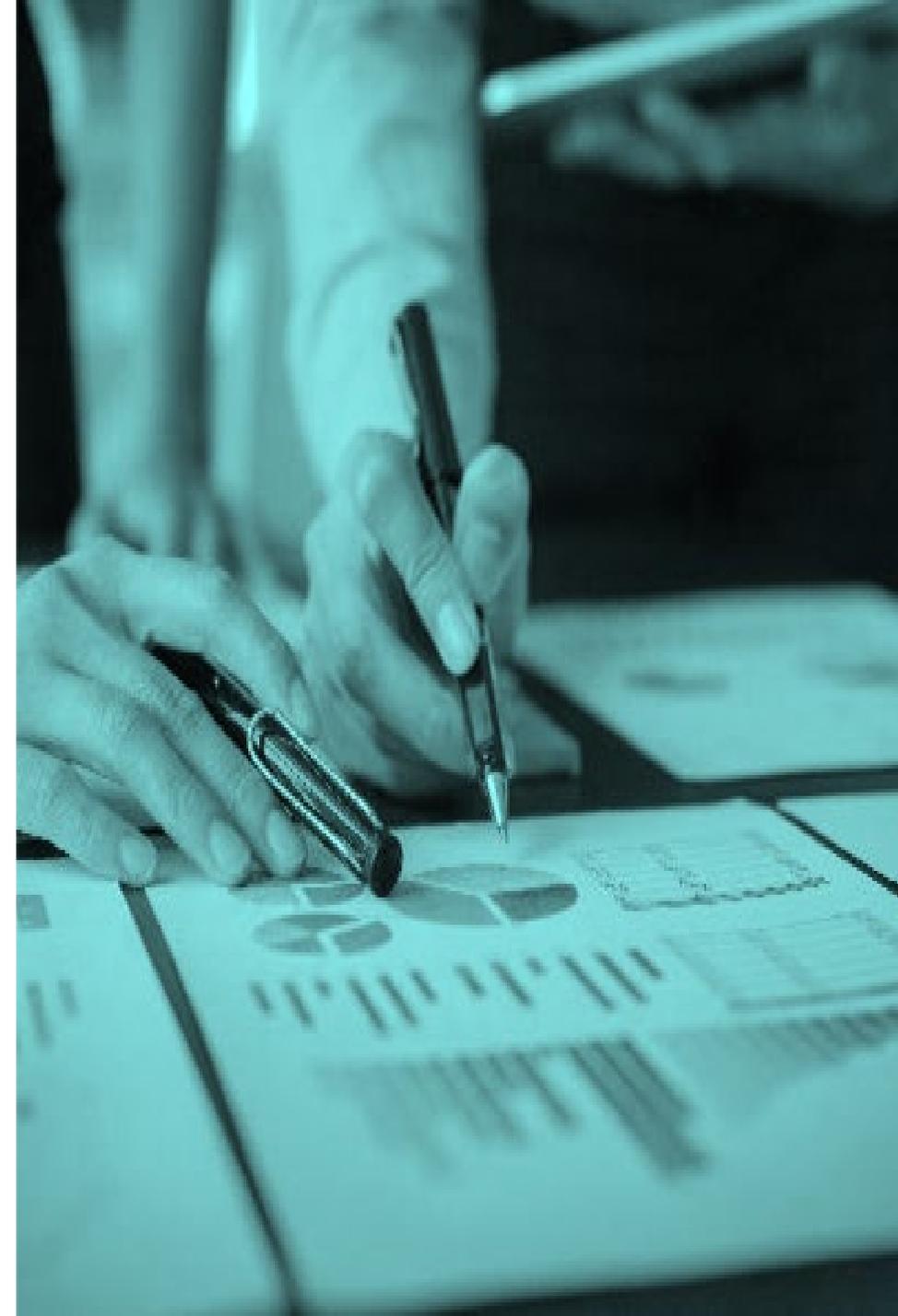
THE RATIONALE FOR A LONG-TERM PERSPECTIVE

# Proactive risk management

Anticipating and preparing for uncertainties reduces the likelihood of fiscal crises.

Scenario analysis and stress testing help identify vulnerabilities and build resilience.

Enhances adaptability to changing conditions.



# Building public trust and transparency



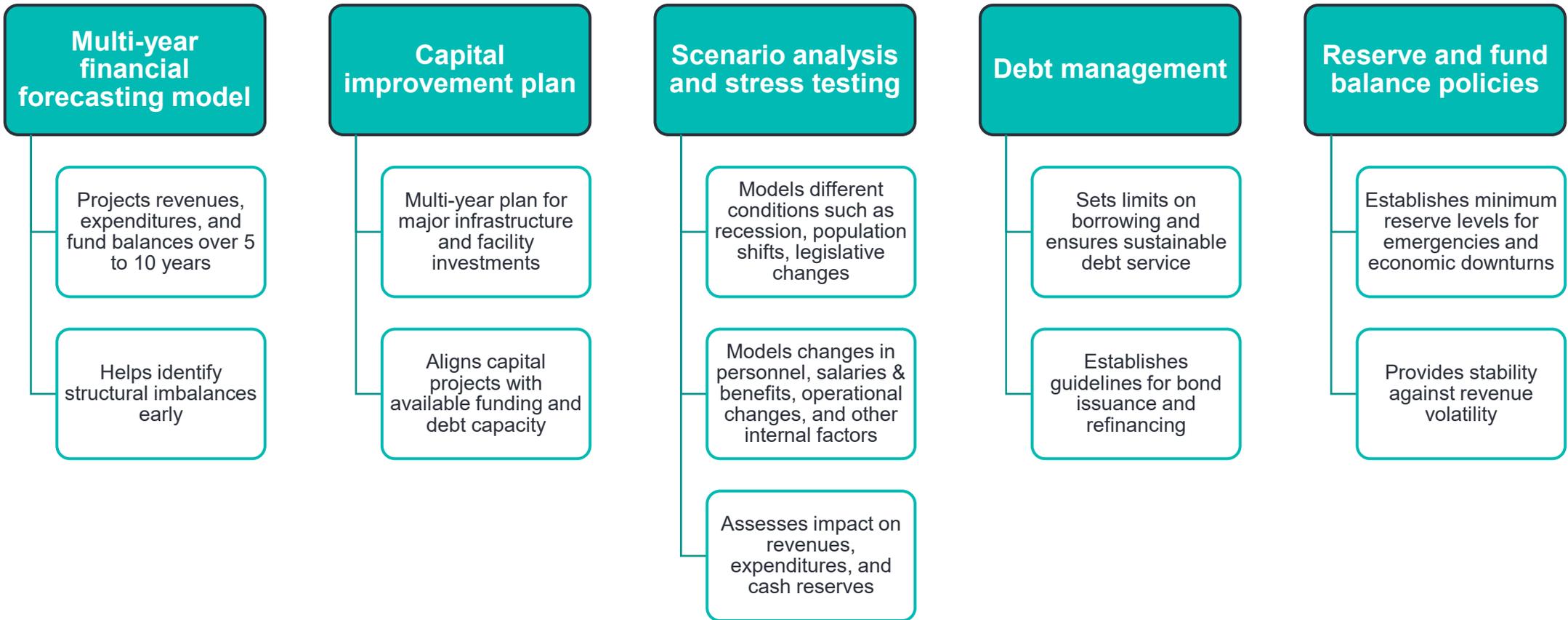
Engaging the community in long-term planning that fosters trust and ensures plans reflect public priorities.



Transparent communication about future challenges and strategies supports stakeholder buy-in.

# **Tools and best practices**

# Tools for long-term financial planning



# Best practices for long-term financial planning

- Link budget to strategic plan
  - Align financial decisions with community priorities
- Engage stakeholders
  - Include elected officials, staff, and the public in the planning process
- Update regularly
  - Review forecasts and CIP annually to reflect changing conditions
- Use conservative assumptions
  - Avoid overly optimistic revenue projections
- Monitor external trends
  - Track demographics, state/federal funding changes, legislative changes, economic indicators (employment, consumer spending, housing and real estate, population, etc.)



# Transparency and community engagement

1

Publish regular financial reports and dashboards to promote transparency and accountability.

2

Provide the rationale to stakeholders and the public behind fiscal decisions, budget allocations, and long-term strategies.

3

Communicate fiscal challenges, trade-offs, and long-term strategies.

4

Host public forums, surveys, and workshops to gather input on priorities and proposed initiatives.

5

Foster ongoing dialogue to build trust and ensure plans reflect community values.

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# **Practical techniques to align strategy and budget**

# Strategic plan alignment with budget



Strategic plans articulate *community priorities*, while budgets operationalize those priorities through resource allocation.

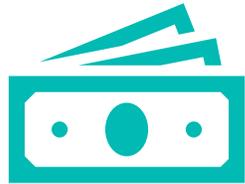


When plans and budgets are disconnected, governments risk:

- Funding activities that do not advance strategic goals
- Undermining credibility with elected officials and residents
- Reduced transparency and accountability



# Budget as a policy document, not just a financial one



**GFOA defines the budget as:**

- A **policy document**
- A **financial plan**
- An **operations guide**
- A **communications device**



**Aligning the budget to the strategic plan reinforces:**

- Policy intent from governing bodies
- Transparency for residents
- Accountability for departments



**Agencies should explicitly show how budget requests support strategic goals.**

# Align strategy and budget

## Key messages

GFOA and ICMA both encourage intentional linkages between planning and budgeting processes.

## Examples of supported techniques

- Linking departmental budget requests to adopted strategic goals
- Using goal-based or outcome-based budget narratives
- Incorporating strategic priorities into budget instructions and templates

## Important note

Both organizations emphasize *consistency and transparency* rather than prescribing one single budgeting model.

# Governance, management and staff roles

## Key messages

- Clear roles help sustain alignment over time.

## Supported role definitions

- **Governing Body:** Sets vision and strategic priorities
- **Chief Executive (Administrator/Manager):** Ensures organizational alignment
- **Finance and Department Leaders:** Translate strategy into resource requests

## Supporting points

- ICMA highlights the manager's role in integrating strategy, operations, and finance.
- GFOA emphasizes collaboration across departments during budget development.

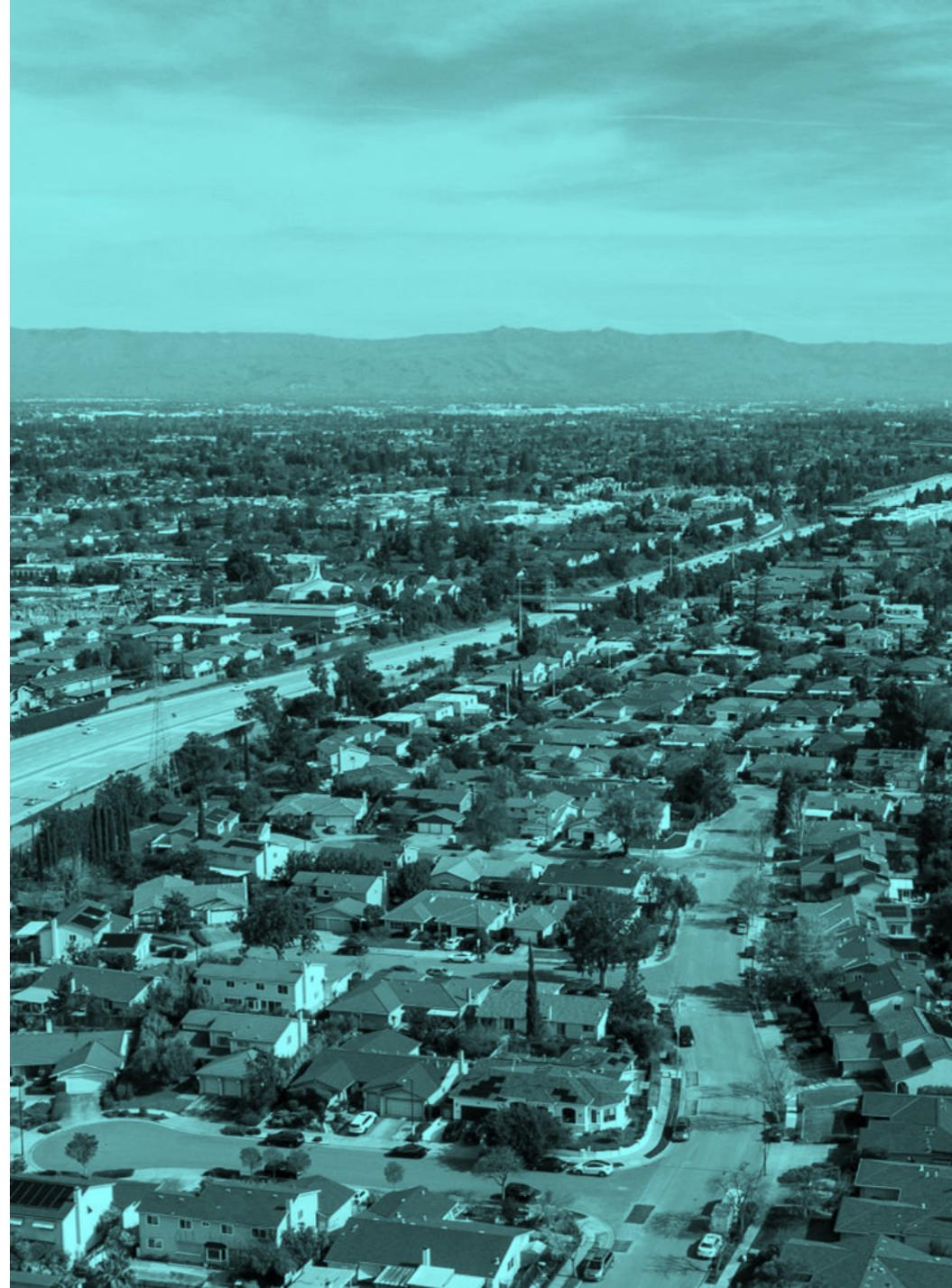
# Case study – City of Cupertino, CA



## CASE STUDY

# City of Cupertino, CA

- Reviewed budget and performance measures for clarity, accessibility and strategic alignment
- Identified opportunities to improve transparency and streamline departmental presentations
- Integrated strategic planning directly into the budgeting process
- Recommended enhancements to public engagement and performance metrics
- Delivered a clear roadmap to align resources with citywide priorities and strengthen decision-making



# Case study – City of Mayberry



## CASE STUDY

# City of Mayberry

- New Mayor
- 3 new Council members
- Vision for future growth and development
- Historically followed standard budget practices – one year outlook
- No formal capital plan



# Critical needs assessment



- Cash reserves are declining in the General Fund
- Need to hire two police officers
- Road improvements are past due
- Maintenance on old street department vehicles is cost prohibitive
- Cost to provide services continues to increase

# City of Mayberry goals

Proactive and transparent planning tool

Limited constituent financial impact

Efficient use/sustainability of cash reserves

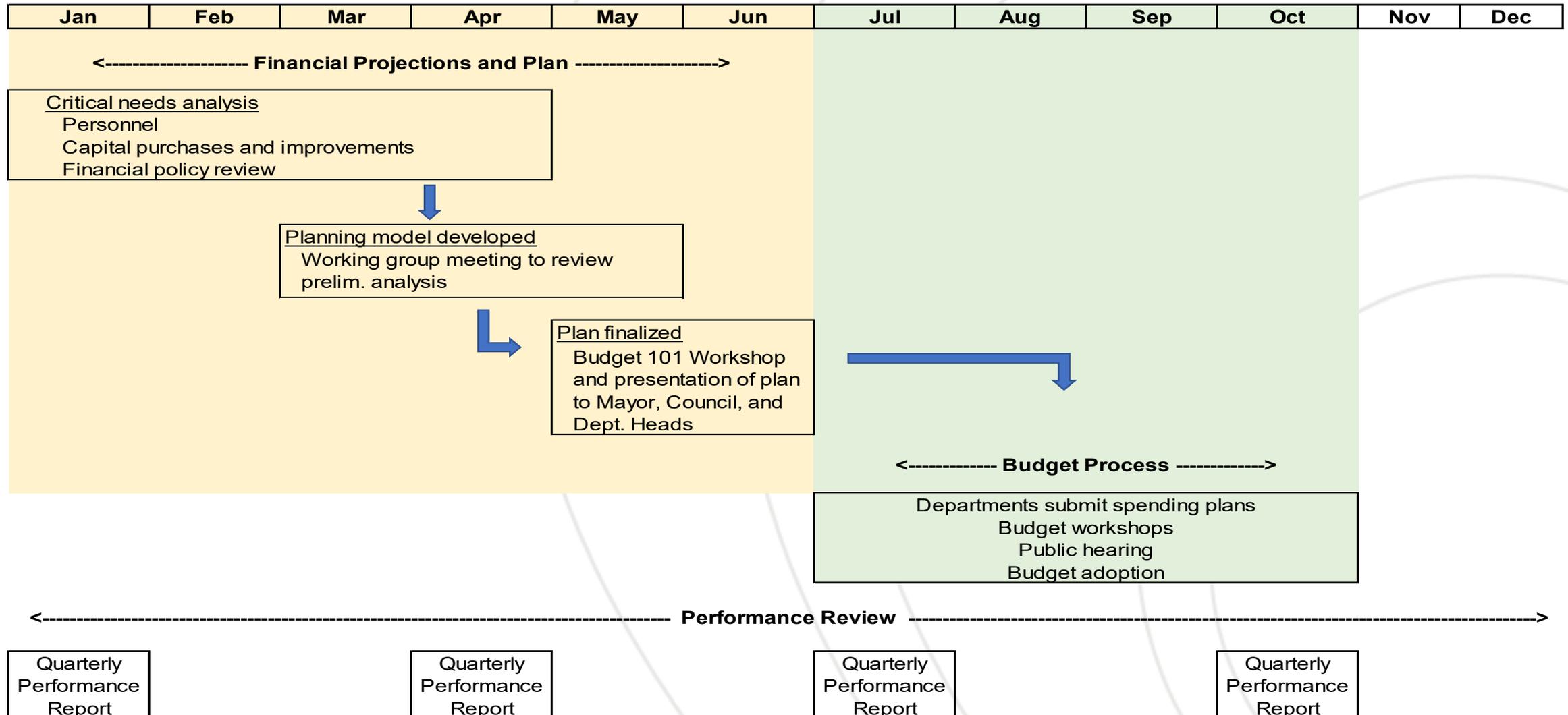
Enhance public safety to maintain low crime rate

Robust capital plan to promote economic development and quality of place

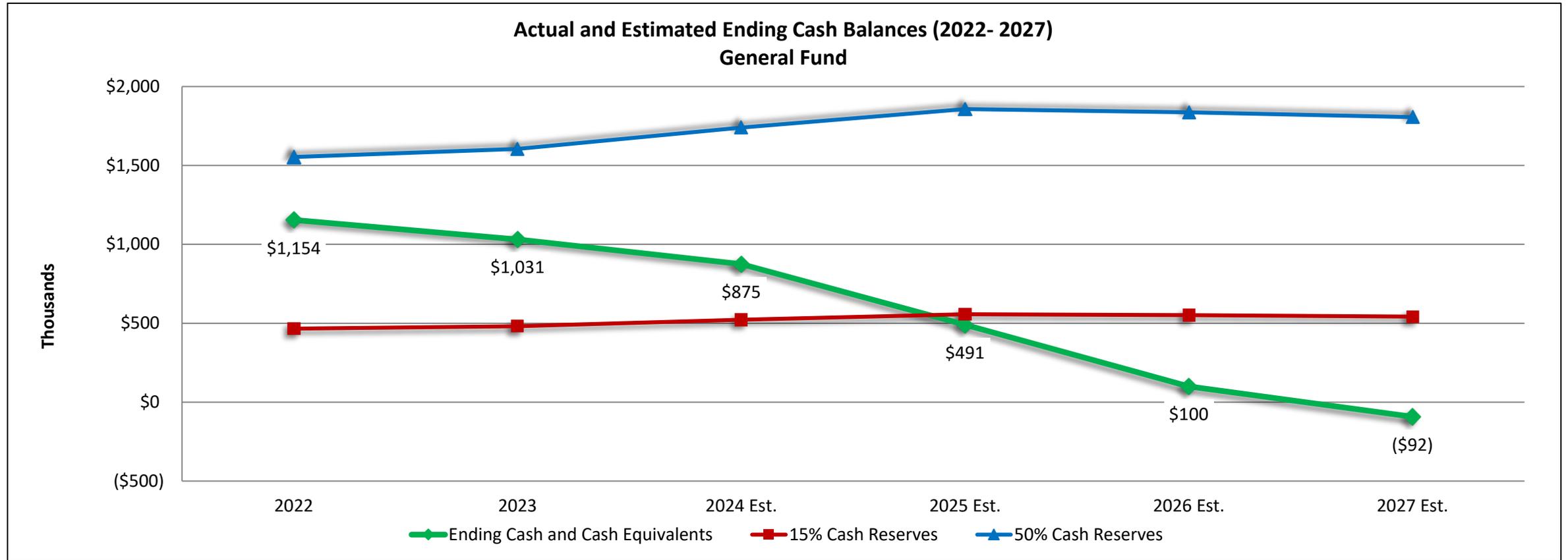
Efficient use of debt, where appropriate

Identify next steps in the evolution

# Financial planning and budget process



# Financial overview



CASE STUDY

# Capital plan

Project Description	Proposed Funding Source	Estimated Project Costs			
		2024	2025	2026	2027
N: Streetscape Improvements	103 - Riverboat	75,000	75,000	75,000	75,000
N: Plows, Salters, Tools, Etc	200 - MVH	20,000	20,000	20,000	20,000
N: (4) Large Dump Trucks (IBB 7yr Lease)	200 - MVH	95,500	95,500	95,500	95,500
N: 1 Ton Dump Truck 4X4	200 - MVH	70,000	-	-	-
N: Aerial Tree Truck \$175,000 (IBB 7yr Lease)	200 - MVH	25,000	28,000	28,000	28,000
N: Sign Maint. Truck \$140,000 (IBB 7yr Lease)	205 - LRS	22,000	22,000	22,000	22,000
N: (2) Lg. Dump Trucks \$330,000 (IBB 7yr Lease)	205 - LRS	-	50,000	50,000	50,000
N: Payloader \$150,000 (IBB 7yr Lease)	205 - LRS	-	23,000	23,000	23,000
N: Road Maintenance/ Preservation	485 - CEDIT	300,000	300,000	300,000	300,000
N: Road Replacement	457 - LRB	1,000,000	1,000,000	1,000,000	1,000,000
N: Sidewalk Program	485 - CEDIT	75,000	75,000	75,000	75,000
N: ADA Updates	485 - CEDIT	50,000	50,000	75,000	75,000
N: Misc. Concrete Repair	485 - CEDIT	50,000	50,000	50,000	50,000
N: Tree Replacement Program	485 - CEDIT	10,000	10,000	20,000	20,000
N: New Dump Truck	200 - MVH	-	70,000	-	-
N: 9th St. Cedar to Union	457 - LRB	450,000	-	-	-
<b>N: 6th St. Street Scape &amp; Reconstruction</b>	<b>Unfunded</b>	-	-	<b>350,000</b>	-
<b>N: Union St. Reconstruction</b>	<b>Unfunded</b>	-	<b>400,000</b>	-	-
<b>W: Entryway Feature Signs/Wayfinding</b>	<b>Unfunded</b>	-	<b>500,000</b>	-	-
<b>W: Splash Pad</b>	<b>Unfunded</b>	-	<b>250,000</b>	-	-
<b>W: Park Quad Construction</b>	<b>Unfunded</b>	-	-	<b>1,100,000.00</b>	-
<b>W: Phase 2 and 3 of Trail Around Pond</b>	<b>Unfunded</b>	-	-	<b>600,000.00</b>	-
<b>Total Capital Projects</b>		<b>\$ 2,242,500</b>	<b>\$ 3,018,500</b>	<b>\$ 3,883,500</b>	<b>\$ 1,833,500</b>



# Options

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Wheel Tax

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Issue bonds for capital projects

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Utilize special revenue funds

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Increase the tax rate on the capital development fund

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Property tax levy appeals

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User fee analysis

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Tax increment finance (TIF)

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Build cash reserves in General Fund over five years

# City of Mayberry results

**Goal:** Proactive and transparent planning tool

**Result:** 60+ page document detailing spending plans and capital affordability. Process involved department heads and administration. Quarterly reports to track performance and make course corrections as necessary.

**Goal:** Limited constituent financial impact

**Result:** Re-established capital development fund and applied for growth-driven levy appeal. Reduced costs via refinancing of existing debt.

**Goal:** Efficient use/sustainability of cash reserves

**Result:** Building core cash reserves over 5-year planning period and developed a cash reserve policy.

## City of Mayberry results *(cont.)*

**Goal:** Robust capital plan to promote economic development and quality of place

**Result:** Over \$70M in capital initiatives identified and planned for.

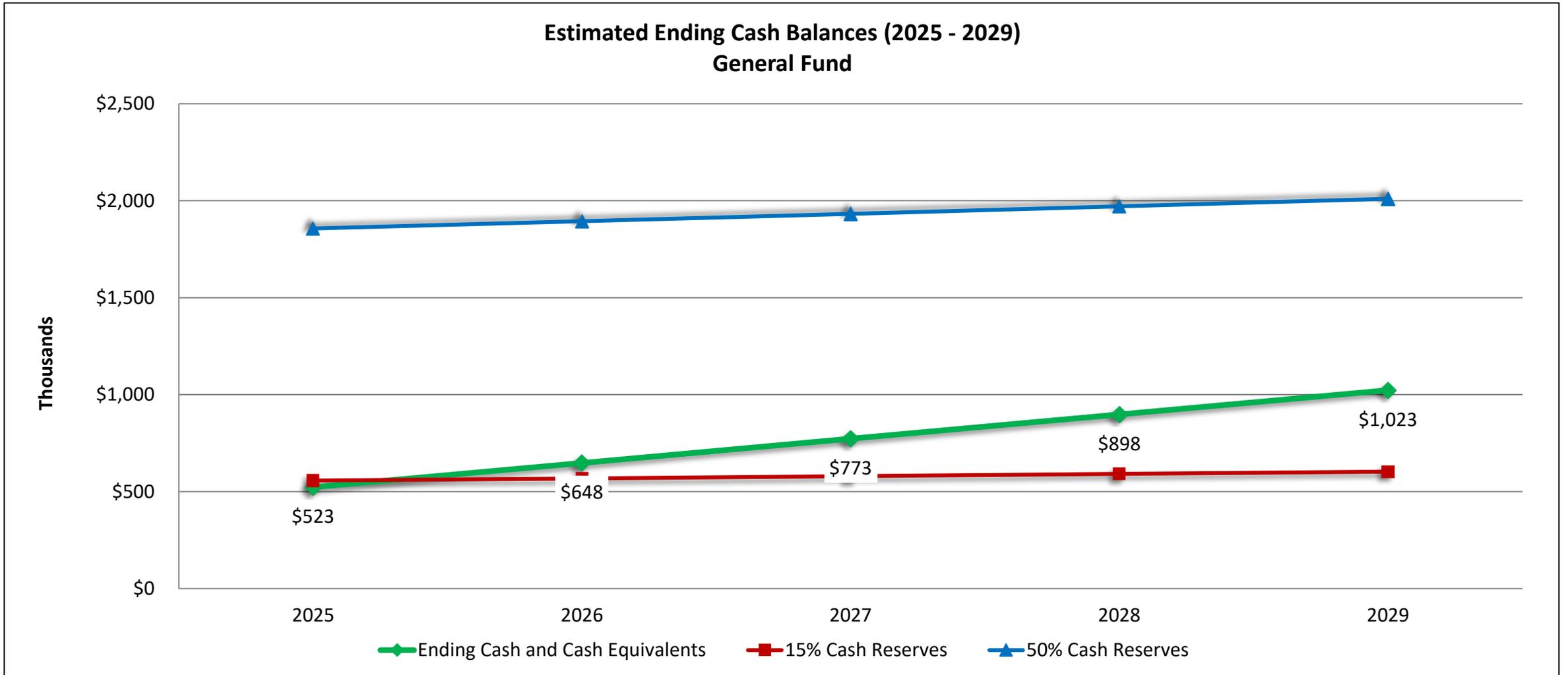
**Goal:** Efficient use of debt, where appropriate

**Result:** Multiple funding scenarios and economic development projects analyzed.

**Goal:** Identify next steps in the evolution

**Result:** Living document, continually update. Utility focus in version 2.0.

# Financial outlook



# **Concluding comments**

# Summary

- Long-term financial planning is vital for municipal resilience and sustainable growth.
- Proactive strategies help local governments manage demographic shifts, infrastructure needs, and external risks while maintaining fiscal stability.
- Multi-year forecasting, scenario analysis, and performance measurement enable leaders to anticipate challenges and allocate resources effectively.
- Transparency and community engagement foster public trust and ensure financial plans reflect stakeholder priorities.
- Continuous review and adaptation of financial plans are essential for responding to emerging risks and opportunities.
- Align strategic plan with annual budgets and long-term financial plan.



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