

# Financial Planning Techniques

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The workshops on financial planning techniques seemed to dwell very little on financial planning techniques. Rather, they discussed an entire series of things related to the process of financial planning—the need for and the alleged benefits of financial planning, the end result, and the interrelationships between financial planning and strategic planning.

With respect to the process, it became clear that financial planning is not itself a plan. It is a long, iterative process involving many constituencies, and it seeks to balance service needs and financial constraints. It is not strictly a technical process. It is a political process of resource allocation that searches for workable solutions. Financial planning in the real sense is the weighing of alternatives and the selection of options.

The workshops talked about the need for and some of the benefits of financial planning. There was some question of its underlying utility—whether it is really useful, whether accurate forecasts can be made over a long range of time, whether the power and control of money overshadows the rational, analytical decision-making process, and whether there is any commonly accepted standard for doing financial planning. There seemed to be a strong conclusion from all these workshops that financial planning is necessary and possible, but that the plan must reflect the felt needs for services within a given community. The plan should include a description of the product, the actual services to be provided, and the revenues being generated. It should, further, reflect the political consensus that has grown for developing the service plan and raising revenues. It should be a workable implementation strategy for actually laying out concrete steps for doing this.

There seemed to be a common agreement that strategic planning should be the basis for financial planning. However, this process is difficult to implement because

- There is often no ability to effect wholesale change
- Existing funding patterns seem to be locked in
- There is no ability to accurately reflect long-term demand for services
- There is often no staff-level incentive for strategic planning

From a private-sector point of view, strategic planning is really a marketing concept that is used for product development and market segmentation. It starts with the identification of felt needs for a product or service and moves into identifying product characteristics and targeting specific groups and products to meet those needs. In a real sense, the operating plan is a strategic plan. The strategic plan is the expenditure side of the budget and projects or determines needs in a more accurate fashion. Strategic planning is not magic, it is not something hard, and it is not something that is not already done.

Financial planning reflects the strategic decisions you make on how to raise the funds, and the financing plan relates these service elements to the financial constraints in which you must work. It can be as simple as an annual budget or as complex as a plan for a new heavy rail transit system. In any event, the financial and strategic components recycle back and forth and are highly integrated.