

# Plan On It

A Dutchess County Planning Federation eNewsletter



January 2015

## Municipal Capital Planning 101

By Jennifer Coccozza, Deputy Commissioner

When we consider purchasing a home, one of the first things we do is hire a home inspector to reveal the condition of our possible future home. How old is the furnace? How much longer before the roof needs new shingles? What home improvements will be necessary, and when? We ask these questions to make sure we are making a sound financial decision; that we are taking a hard look at our income versus anticipated expenditures to ensure that we can afford the house and future improvements. We ask these questions because it would be irresponsible not to.

The true cost of owning a home is more than just purchasing the structure; it is also the often unseen and underappreciated costs of maintaining that home. Repairs, especially those that are unexpected, can be very expensive and devastate a family budget. If we decide to purchase the house, but don't take into account and save for anticipated repairs, then we are not acting in a fiscally-responsible manner. The same is true for a municipality, which must plan for future needs. Enter the "capital plan."

### What is a Capital Plan?

Think of a capital plan as a home inspection and budget for your municipal "house." A capital plan, or capital improvement program, is a multi-year financial plan that lists the physical assets and needs of a municipality (such as land, buildings, infrastructure, equipment, studies, etc.), assesses conditions for those assets that currently exist, determines what new amenities are needed, and programs when funds will be spent on both old and new assets. A capital plan generally indicates how projects are to be funded (taxes, loans, bonds, grants), and when projects are to commence.

Nobody likes to be unprepared or waste time or money on emergency fixes. This is true at home, at work, and at our local municipalities.

### Why Develop a Municipal Capital Plan?

Local elected officials are responsible for the maintenance and condition of municipal public facilities and the expenditure of public monies. As they are being asked to do more with less, it is even more important to have a long-term capital plan to prioritize and justify the necessary expenditures of public money, to plan for when those expenditures will happen, and a strategy for how to pay for them in the most fiscally responsible manner possible.

What are the benefits of capital planning?

- Protection and preservation of municipal assets;
- Support and advancement of community goals;
- Maximized use of municipal funds and other funding options;

- Reduced emergency expenditures;
- Possible reduction in operating costs;
- Informed decisions by local elected officials for budgeting;
- Predictable expenses, streamlined budget process;
- Improved fiscal soundness over time;
- Increased ability to proactively take advantage of grants and financing;
- Improved basis for decision-making and establishment of priority projects;
- Opportunity to engage the public in municipal finance and the need/timing for expenditures.

### Is Your Municipality Prepared?

Some Dutchess County municipalities may not have a formal capital plan in place.

Send us a [quick message\\*](#) to let us know whether or not your municipality has one.

**\*Please include:**

- Your name
- Your affiliation
- Name of your municipality
- Yes/No to whether there is a capital plan

### Steps to Completing a Capital Plan

The Office of the New York State Comptroller has published [Multiyear Capital Planning](#), which lays out five steps to completing a capital plan. The steps are summarized below, but we encourage you to read the full document for more detailed information.

Prior to beginning this process, a municipality should establish what they hope to achieve as part of developing a capital plan and how they intend to accomplish those goals. By establishing goals and objectives, in addition to creating a framework with timelines and the assignment of tasks and responsibilities, a community is well-positioned to successfully complete the process.

#### **Step One – Establish Goals and Objectives**

A capital plan should support the goals and objectives of the community. Comprehensive plans, special studies, audits, state and federal mandates/laws, community surveys, and best practices are just a few of the types of documents that can help define these goals.

While the preservation of existing assets, such as buildings and equipment, will likely top the list, municipalities should also consider other needs. For instance, a community’s comprehensive plan may call for increased commercial development in a specific district or section of town, and the Town’s fiscal audit may support increasing the commercial tax base. This case for increased economic development could be incorporated into the capital plan in the form of a special study, engineering work, or right-of-way acquisition to pay for new water and sewer infrastructure to support commercial development. Keep in mind that a community’s needs should not be limited to brick and mortar projects. Expenditures for studies or improving the municipal bond rating are also a “need.” A community might also include strategic disinvestment of assets, such as archaic machinery or excessive amounts of land, as part of the plan.

Municipal boards should agree upon the goals and objectives early on to help facilitate the prioritization of projects (discussed below in Step 3). However, the capital plan can and should be modified as new needs are identified and/or new information is presented.

It is important to thoroughly assess municipal needs and capital needs on a yearly basis in order to achieve municipal goals.

### **Step Two - Inventory of Assets and Conditions**

The purpose of the inventory is to develop a complete list of municipal assets so that every asset can be evaluated. This list will include local roads, bridges, public buildings, water/sewer systems and transmission lines, parks and recreational facilities, sidewalks, street trees, and equipment - such as highway trucks, plows, police vehicles, and trash compactors. The list should include everything that might ever need maintenance or replacement. To ensure a complete list of assets, count on help from others. Highway superintendents, recreation directors, police chiefs, water and sewer operators, and others such as insurance carriers and consultants, should be contacted. Leaving items out may result in problems later on in the form of unexpected expenditures.

Evaluate each asset listed in the inventory. What is the asset's current condition? Is there any maintenance that should be performed? When? What is the standard life-expectancy of the asset? How long until it needs to be replaced? What is the anticipated replacement cost?

Be realistic and be as accurate as possible with the assessments since unanticipated expenditures can wreak havoc on a budget year.

### **Step Three - Prioritize Projects and Expenditures**

This step is not easy. A municipality will already have set goals declaring clear priorities, but there will also be competing interests for what gets funded first. As government officials, we know that health and safety concerns are our priority, but how those types of issues present themselves can vary widely. The sturdiness of an outdoor pavilion that is used by numerous residents, a pothole at a busy intersection that cars are swerving to avoid, additional lighting in a neighborhood that is starting to experience an increase in crime, a new plow to clear roads in the snow - when push comes to shove, which one of these items should be addressed first?

The capital planning process will likely generate significant discussion. Municipalities should expect to face questions and concerns from their governing body and the public, especially when drafting their first capital plan and prioritizing expenditures. For instance, it may be easy to list "road improvement projects" as an agreed upon need, but it may take some time to perform a pavement condition audit to prioritize which roads need to be paved first. Before a municipality can assign funds and create a timeline for future road improvement projects, additional evaluations may have to be made. Even then, each department will likely have their own priorities, and agreeing upon a universal, interdepartmental set will not be easy.



*Local road maintenance is an ongoing need and should be part of any municipal capital plan. (Photo credit: Dutchess County DPW)*

In addition to health and safety concerns, economic, operational, environmental, and social issues will all compete for project rankings. Developing a list of priorities is critical to a successful capital plan.

### **Step Four – Assess Budgetary Impact**

After completion of this step, a municipality will have developed a fiscal picture of income and expenditures for future years. To do this, the following estimates should be made for each year of the capital plan: operating expenditures, revenues, contract costs, reserve funds, and known debt service commitments. A full picture of these items for future years will create a multi-year financial picture.

### **Step Five - Financing Capital Acquisitions**

This is where the rubber meets the road and it's time to delineate how projects will be paid for. After completing the previous four steps, a municipality will have a list of prioritized projects by year as well as the projected fiscal outlook by year. From this point, municipal officials can start looking for ways to make up monetary shortfalls in order to pay for projects.

### **Partnering With Your Neighbors**

*Municipalities may find cost savings by sharing purchases or consolidating services. The [Dutchess County Municipal Consolidation and Shared Services Grant Program](#) has awarded over \$2.6M in funding to Dutchess County municipalities.*

*Examples of grant awards include:*

- *Sewer studies that connect three municipalities;*
- *Shared assessor services;*
- *Web-based (cloud) permitting and enforcement for 12 municipalities;*
- *Fuel farm;*
- *Study to consolidate police departments;*
- *Shared highway equipment for four municipalities.*

### **Next Steps**

The capital plan is now ready to take its place beside the annual municipal budget. It is recommended that both the capital plan and the budget be presented to the public for their review and comment, and both adopted for a one-year period. The capital plan should be reviewed annually alongside the municipal budget to keep it fresh and current.

While there is no doubt that much time and effort will be spent in drafting the first municipal capital plan, it is well worth the effort. The knowledge gained in the increased understanding of your municipal house, by both local government officials and the public, will not only lead to a better understanding of upcoming challenges and needs, but it will better position your municipality fiscally and programmatically to achieve its goals.

## **More Information**

[Multiyear Capital Planning](#), NYS Division of Local Government and School Accountability

[Government Finance Officers Association](#)

[Government Finance Officers Association Budgeting and Financial Planning](#)

[Click here to view past issues of Plan On It.](#)

This newsletter was developed by the Dutchess County Department of Planning and Development, in conjunction with the Dutchess County Planning Federation.

To be removed from our mailing list, [send an "UNSUBSCRIBE" email to DCPlanningFederation@dutchessny.gov](#). Please **include your name and email** address in the message.