

Capital Planning

GFOA Best Practices/Guidelines



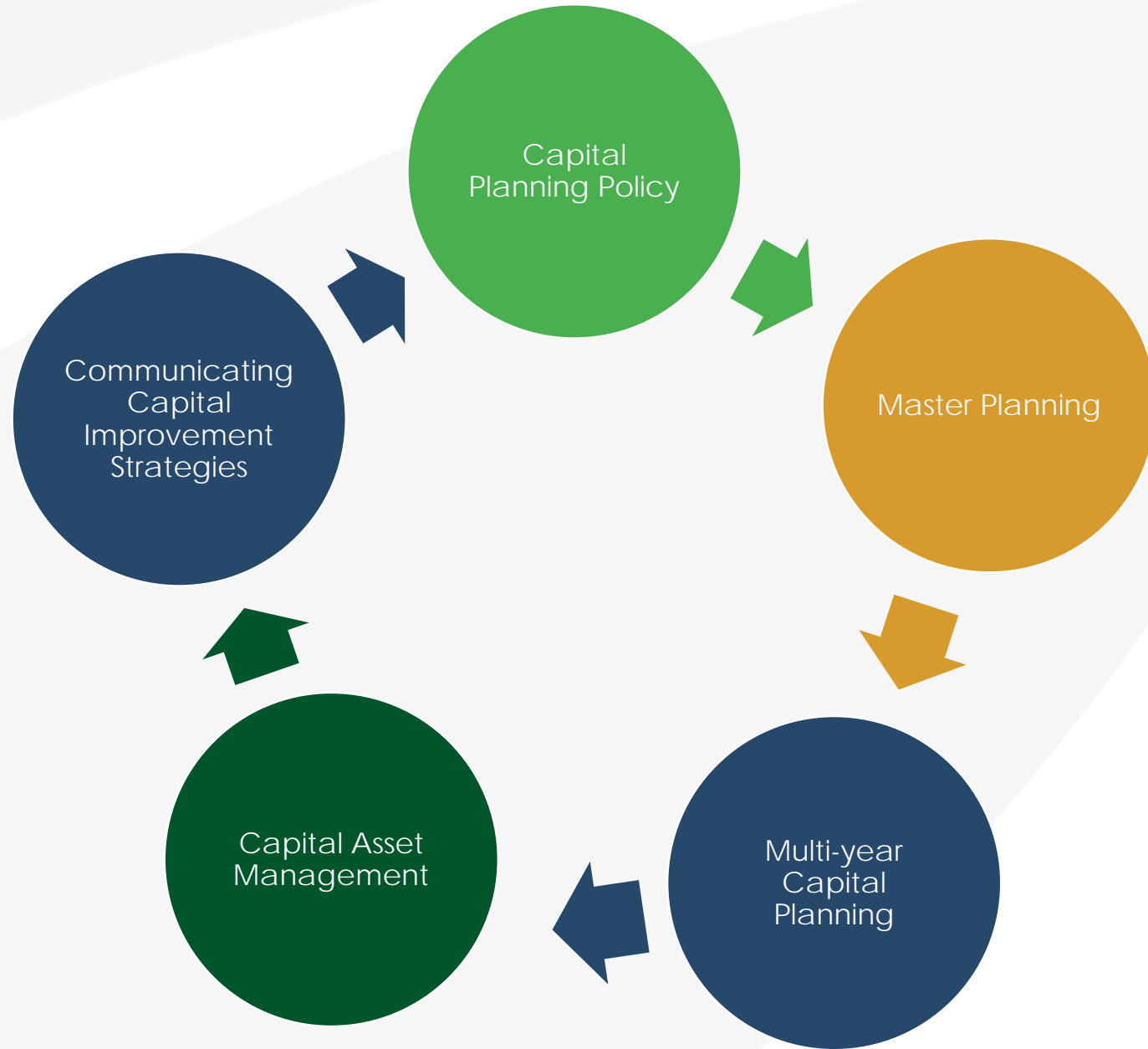
UNIONCOUNTY
north carolina

Capital Planning Government Finance Officers Association (GFOA) Best Practices/Guidelines

CAPITAL PLANNING

- Capital planning polices
- Master planning and comprehensive plans
- Multi-year capital planning
- Capital asset management
- Communicating capital improvement strategies

Capital Planning Cycle



Capital Planning Policy-

Governments should develop and adopt capital planning policies that take into account their unique organizational characteristics including the services they provide, how they are structured, and their external environment.

Union County's CIP Policy Highlights

- Includes projects that cost at least \$100,000 and have a useful life of at least ten years except for information technology assets with a useful life of at least five years
- CIP will be adopted annually as part of the annual budget process
- CIP Plan will be for a six-year period and will include summaries of project requests and funding sources
- Capital projects descriptions should include estimated cost and estimated operating budget impact
- Funding will be in accordance with the County's Debt Policies and NC GS 159
- New debt will be funded through a property tax rate increase

Master Planning and Comprehensive Plans



- Provides a vision for capital project plans and investments
- Governments should make capital investments decisions that are aligned to their long-range master plans and/or comprehensive plan
- Financial factors should be considered in developing a master plan and/or comprehensive plans

Multi-year Capital Planning

Governments should prepare and adopt comprehensive, fiscally sustainable multi-year plans to ensure effective management of capital assets.

A properly prepared capital plan is essential to the future financial health of an organization and continued delivery of services to citizens and businesses.

In order to plan multi-year capital plans governments should take the following steps;

1. Identify needs
2. Determine financial impacts
3. Prioritize capital request
4. Develop a comprehensive financial plan (taking into consideration cash flow, available revenue and expenditure trends, operating impact, financial policy considerations, legal constraints, debt service, affordability)



Capital Assets = assets that are used in operations and have a useful life beyond one year

GFOA recommends establishing a system for assessing capital assets and planning for maintenance and replacement of assets. This recommendation includes;

1. Complete assets inventory and periodic measurement of asset conditions.
2. Establishing conditional/functional performance standards.
3. Evaluating existing capital assets to determine if they still provide the most appropriate method to deliver services.
4. Consider developing dedicated fees or other revenue sources to help maintain the expected service levels of assets.
5. Allocate sufficient funds in the multi-year capital plan and/or annual operating budget for condition assessment, maintenance, repair, renewal and replacement of capital assets.
6. Monitoring and communicating progress toward stated goals and the overall condition of capital assets with appropriate controls to ensure the accuracy of asset information. Example; Are replacement cycles realistic
7. Providing a “plain language” report on capital assets to elected officials at least every three years.

Capital Asset Management



Communicating Capital Improvement Strategies

- Develop communications plan for public participation focused on explaining capital needs, options, and strategies and facilitating feedback in advance of any major capital program.
- Capital programs gain from the support of the community (stakeholders) both to ensure that capital projects will deliver expected and desired outcomes as well as to ensure there is adequate support for the investment.
- In addition to communications during initial phases of the project, organizations have a need to maintain communications through the end of the project and report of results.
- Monitoring of progress and accurate reporting on the project will provide accountability and give credibility to the next project.

Resources:

<https://www.gfoa.org/best-practices/capital-planning-and-infrastructure>



**Best Practices &
Advisories**

Questions?



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