SECTION 6 – CAPITAL PLANNING

Capital Planning:

Capital planning is a disciplined, multi-year process that enables governments to anticipate infrastructure needs, preserve public assets, and align capital investments with community priorities and available financial resources. By evaluating asset conditions, service demands, life-cycle costs, operating impacts, funding capacity, and potential risks before assets reach critical failure, the process supports timely maintenance, rehabilitation, and replacement while reducing reliance on costly emergency responses. An effective capital planning cycle strengthens fiscal sustainability, promotes informed decision-making, supports service continuity and demonstrates responsible stewardship to residents, lenders, investors, and credit-rating agencies.

Capital Planning Process

Many local governments adopt a multi-year Capital Improvement Plan (CIP), often covering five years or more. The planning horizon, project threshold, and definition of a capital project should be established by local policy and aligned with the government's capitalization, budgeting, debt, and financial-planning policies. The CIP is typically updated annually as part of the budget process.

Major elements of the CIP process include: (1) conducting an inventory of present physical assets (often generated by the Finance Department, physically verified/confirmed by all departments); (2) the completion of an asset maintenance and replacement schedule submitted by each operating department requesting capital items to be included in the budget; and (3) a project timetable containing project requests for future needs.

The Finance Department or the Budget Department consolidate all requests filed by the departments and conduct a financial analysis of revenues and expenditures to evaluate all CIP proposals while correlating these proposals to pre-approved documents, such as resolutions and ordinances, comprehensive Plans or Master Plans.

Priority rankings for proposed CIP projects are developed through a structured evaluation process that considers factors including, but not limited to, legal mandates, funding availability, life-cycle costs, operating impacts, project readiness, health and safety considerations, asset condition, service needs, and departmental assessments. Projects are also evaluated for alignment with the City's Strategic Plan, applicable master plans, executive leadership recommendations, and the City Council's priorities.

In many jurisdictions, the Planning and Zoning Board plays an advisory role in developing the Capital Improvement Plan, as prescribed by the local charter, code, or adopted policies. The Board reviews proposed projects for consistency with the comprehensive plan, land-use policies, anticipated growth, and the community's long-term infrastructure needs and provides its recommendations. The recommended CIP is then submitted to the governing body for formal consideration and adoption, either as part of the annual budget or through a separate resolution or ordinance, as required by local policy.

Following adoption, the capital-planning process continues through project implementation, monitoring, reporting, amendment, and closeout. Completed projects should undergo a financial and administrative closeout, including reconciliation of funding sources, capitalization of eligible assets, release or reallocation of unused balances, and evaluation of project outcomes and fiscal impact in the operating budget. Unfunded capital needs and deferred maintenance should remain documented to support future funding decisions.

Common Projects Included in the CIP

The most common major capital project categories included in the CIP are:

- Transportation and Mobility – Roads, sidewalks, bridges, alleys, traffic-calming devices, transit, bicycle paths, and pedestrian improvements.
- Water and Sewer Infrastructure – Water treatment, distribution lines, sewer systems, lift stations, fire hydrants, and utility facilities.
- Stormwater and Flood Mitigation – Drainage systems, pump stations, canal improvements, swales, stormwater retrofits, and flood-control projects.
- Parks and Recreation – Parks, playgrounds, pools, athletic fields, community centers, trails, courts, and recreational facilities.
- Public Safety – Police facilities, emergency-management infrastructure, security systems, communications equipment, and related improvements.
- General Government Facilities – City Hall, administrative buildings, maintenance facilities, elevators, roofs, restrooms, and other municipal buildings.
- Technology and Communications – Enterprise systems, cybersecurity, network infrastructure, telecommunications, audiovisual systems, and digital-service improvements.
- Fleet and Major Equipment – Vehicles, heavy equipment, specialized machinery, and scheduled fleet replacements.
- Economic and Community Development – Commercial corridors, streetscape improvements, redevelopment projects, affordable housing, and neighborhood revitalization.
- Environmental Sustainability and Resilience – Energy efficiency, renewable energy, shoreline protection, tree canopy, environmental restoration, and climate-resilience projects.

Funding Capital Projects

Funding for capital projects could come from various sources, including the general fund or general revenue, enterprise funds, grants (possibly with matching requirements), debt proceeds (general obligation or revenue bonds), special taxes or assessments, or impact or user fees.

References

- GASB Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis. Official link
- Government Finance Officers Association - Capital planning policies. Official link
- Government Finance Officers Association - Capital project monitoring and reporting. Official link
- Government Finance Officers Association – Capital Planning and Asset Management, Multi-Year Capital Planning. Official link
- Government Finance Officers Association – Capital Planning. Best practices, resources, and case studies from GFOA on capital planning and infrastructure. Official link