

Multiyear Capital Planning

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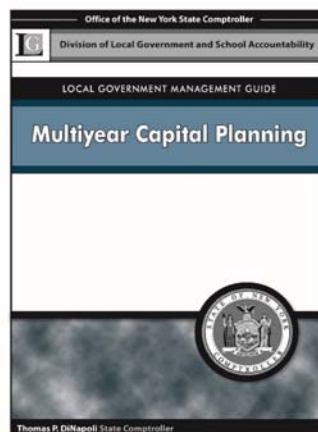


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Learning Objectives

- Overview
- Management Analysis
- Capital Inventory
- Capital Planning Tools
- Prioritizing Capital Projects
- Assessing Budget Impacts
- Financing Capital Acquisitions
- Adoption
- Monitoring



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Overview

- The Budget is a plan of the services to be provided to your taxpayers, with the corresponding funding sources to pay for the services.
- Lifespan of the budget is one fiscal year.
- Budgets should include considerations for future events beyond the end of the fiscal year.
 - Easy to get tunnel vision worrying about this year only.
 - Difficult to justify fund balance amounts without future planning.
 - Ex. Reserves - Why do we have them? When will we use them? When will they be sufficiently funded?

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Overview

A Multiyear Capital Plan identifies all capital and major equipment needs, incorporates a process for prioritizing projects, and includes a maintenance cycle to sustain current capital assets.

- What assets do we currently own?
- What are our local government's capital investment needs?
- How have we prioritized these needs?
- How much will they cost to build and maintain?
- What is our fiscal capacity to support capital spending over time?
- What is the best way to finance these capital investments?
- How can we effectively manage these projects?
- How much will they cost to operate once constructed?

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Management Analysis

1. Identify what types of assets and expenditures will be included in the capital plan.
2. Decide how long a period the capital plan should encompass.
3. Develop data and information requirements for decision making and recordkeeping purposes.
4. Develop a specific timetable for creating and reviewing the capital plan.



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Management Analysis

5. Determine who will be participating in the planning process (elected officials, department heads, etc.), and at what points in the process.
6. Decide when public meetings or hearings will be held to elicit public participation.
7. Finally, be sure to formally approve the plan annually and make sure it is evaluated regularly in future years.



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Capital Inventory

The inventory should include but need not be limited to:

- Utility and sanitation assets, including sewer and water systems, solid waste facilities, and municipal electric and lighting systems.
- Highways, roads and bridges.
- Public buildings.
- Certain equipment, vehicles and furnishings.
- Land or rights to land.
- Certain improvements to land other than buildings.



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Capital Inventory

The inventory should include:

- A brief description of the asset (or group of assets)
- Its location
- Its estimated useful life
- Its remaining useful life
- Its current condition
- Its estimated replacement value.

****Can start with your Insurance Provider****



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Capital Planning Tools

Information:

- www.osc.state.ny.us/local-government/resources/planning-resources
- Multiyear Capital Planning LGMG
- Capital Assets LGMG (Appendix A for forms)

Data Gathering:

- Use your financial accounting system reports.
- Asset inventories.
- Asset acquisition and maintenance records.

Data Analysis:

- Develop a spreadsheet
 - Extend past the trend years captured.
- OSC's Multiyear Capital Planning Spreadsheet
 - Capital Planning Tool [.xls]



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Home / Local Government / Planning Resources

Planning Resources

Multiyear Financial Planning

- Multiyear Financial Planning Local Government Management Guide [pdf]
- Multiyear Financial Planning - On Demand Webinar
- Multiyear Financial Planning Spreadsheets
 - Municipal [.xls]
 - School District [.xls]
- County Sales Tax Distributions and Withholdings:
 - Aid and Incentives for Municipalities (AIM) and AIM-Related Payments
 - Sales Tax Withholdings from Counties and New York City to Support Medical Facilities

Capital and Strategic Planning

- Capital Planning
 - Capital Assets Local Government Management Guide [pdf]
 - Multiyear Capital Planning Local Government Management Guide [pdf]
 - Multiyear Capital Planning and Budgeting - On Demand Webinar
 - Capital Planning Tool [.xls]
- Strategic Planning
 - Strategic Planning Local Government Management Guide [pdf]

Planning and Budgeting

- Understanding the True Costs of Services Webinar Presentation [pdf]

www.osc.state.ny.us/files/local-government/publications/pdf/capitalassets_manualrecords.pdf

www.osc.state.ny.us/files/local-government/publications/excel/capitalassetselectronicworksheet.xlsx

Additional resources for capital asset inventories in Appendix A.

Make your own or use this as a guide.

Appendix A – Property Record Forms

Sample [manual forms \[pdf\]](#) are available for the following:

- Initial Inventory Sheet
- Real Property Record
- Personal Property Record
- Register of Identification Numbers
- Property Acquisition Record
- Property Disposition Record
- Physical Inventory Worksheet
- Marking Devices

Sample [electronic forms \[xlsx\]](#) are available for the following:

- Inventory Sheet
- Real Property Record
- Personal Property Record
- Physical Inventory Worksheet



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How to Use this Template

To make the process of multiyear capital planning easier, the Office of the State Comptroller (OSC) has constructed this template, which allows for the determination and assessment of capital needs, and the consideration of the costs and budget impact of capital improvements. Users should modify this template in whatever way is necessary to accommodate their particular needs.

There are six main tabs:

Capital Needs, this is a list of all needed capital improvement projects, including a general description, their estimated costs, benefits, funding sources, time for completion, and the date by which they must be completed. The projects from this sheet fill in the projects section of the Needs Assessment sheet.

Needs Assessment, all of the projects from the Capital Needs sheet are assessed by factors determined by the user.

Capital Improvement Plan, this is a five-year plan that takes the high-priority projects from the needs assessment and shows the overall costs and funding plan for local governments capital spending. These costs are used to fill in the Budget Impact sheet.

Budget Impact, this shows the effect on future operating budgets of the projects that are listed in the Capital Improvement Plan. The costs to the operating plan that are determined here can be used in an operational Multiyear Financial Plan, which may be created using the tools listed below.

Assets Inventory, many local governments do not have a comprehensive inventory of capital assets, but it can be invaluable in determining the current condition of capital assets and potential future capital spending needs. Existing records, department managers, and insurance carriers can be good sources for this inventory.

Borrowing Cost Calculator, this tool can be used to estimate the costs of borrowed money for capital projects. More exact estimates may be obtained from bond council or lending institution.

Start Here | **Capital Needs** | **Needs Assessment** | **Capital Improvement Plan** | **Total Budget Impact** | **Assets Inventory** | **Borrowing Cost**

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Prioritizing Capital Projects

4. Discuss with managers and department heads and formalize the priority of needs based on the criteria established.

Factors to consider when evaluating potential projects:

- Health and safety concerns
- Legal mandates by court order State or federal governments.
- Economic, environmental, or social value to the community or region.
- Operational benefits to the local government.
- Specific needs or demands for improved service, timeliness or cost savings.
- Investment return (e.g., saving on maintenance).
- Capacity to leverage other resources (e.g., matching funds).
- Project feasibility (cost, time frames, management capacity).
- Project risks.



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Prioritizing Capital Projects

5. Next, the process should prioritize and rank projects in order of importance so that decision makers can effectively evaluate these requests.

- Departmental or functional priorities - Departments should create project lists that reflect the urgency of need from an operational perspective.
- Fiscal priorities - Here, the focus is on such factors as the impact projects will have on debt affordability measures, debt service costs, capital reserve funds, cash flow and operating costs once the project is completed.
- Executive priorities - Local government leaders should also assess capital needs within the context of their broader community objectives.



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[illegible][illegible]

Assessing Budget Impacts

- This is where the multiyear capital plan and budgeting begin to come together.
- A multiyear capital plan should provide accurate, reasonable estimates of each project's budgetary impact, including debt service costs, impact on capital reserve funds and fund balance, and future operating expenditures.



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Assessing Budget Impacts

- **Current and Future Debt Service Costs** – Large capital projects often must be funded with the issuance of debt. Estimates should be prepared on the principal and interest costs associated with issuing bonds for these types of projects.
- **Installment-Purchase Contracts** – These costs for purchases of equipment, machinery and apparatus are similar in some respects to purchases made with debt proceeds, in that they are funded over a period of more than one year, subject to certain terms and conditions.



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Assessing Budget Impacts

- **Pay-As-You-Go Costs** – Some capital expenditures may be paid for out of current appropriations in the year acquired.
- **Reserve Funds** – Through formal resolution, the local government can establish reserve funds, earmarking resources for the future acquisition and repair of essential capital assets.
- **Future Operating Costs** – To the extent possible, future operating costs necessary to utilize the capital asset should be estimated.

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Assessing Budget Impacts

- **Impact on Revenues** – Certain capital expenditures need to be financed with increased fees or user charges.
- **New Costs and/or Savings Associated with New Capital Assets** – While the construction of new capital assets often result in new operating costs, it can also produce savings if the investment improves efficiency.

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Financing Capital Acquisitions

- **A Mix of Pay-As-You-Go and Debt Financing** – Maintaining a balance of pay-as-you-go and debt financing is important.
- **Local Debt Capacity** – Because debt creates long-term fixed costs, local governments should use various metrics to track their debt burden in relation to indicators that reflect their ability to pay these costs and still meet future capital infrastructure needs.



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Municipal Borrowing Costs Calculator

This calculator allows for an estimate of the costs of borrowing.

However, the actual costs may vary depending on the conditions and requirements of the lender.

Funds Needed for
capital project(s):

\$0

This defaults to 2% of total amount financed. If you wish to estimate a different amount, you may enter that here. Note that this calculation does not include any reserves or other adjustments.

Costs of Issuance

\$0

Total Financed:

\$0

Term (Years):

0

The period in years over which the borrowed money will be repaid.

Interest Rate:

0.00%

A fixed interest rate is assumed.

Total

Annual Payment

\$0

Principal

\$0

Interest

\$0

Fiscal Year

[Start Here](#)

[Capital Needs](#)

[Needs Assessment](#)

[Capital Improvement Plan](#)

[Total Budget Impact](#)

[Assets Inventory](#)

[Borrowing Costs](#)

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Monitoring

- A plan is only as good as the results it produces.
- Follow-up is essential to determine if capital program goals are being met.
- Routine monitoring of approved capital projects helps to ensure that projects remain on schedule and within budget.
- Amend when necessary!



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Summary

- Multiyear planning is essential to sound budgeting and fiscal oversight processes.
- Multiyear plans allow management to think in terms of future needs and the future impacts of today's decisions.
- A good multiyear planning process can not only help managers develop structurally balanced, realistic budgets, but can also help explain financial decision making to the taxpayers to gain support and acceptance.



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Thank You

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