

# The Capital Planning Process

The capital planning process begins with two primary questions "What do we need?", and "why do we need it?" These questions then lead to related questions:

- ✦ How long will our equipment and facilities last?
- ✦ What upgrades will be needed and when will they be needed?
- ✦ Where will we find the money?
- ✦ Which need is most important to the community and why is it important?
- ✦ How can we best schedule specific projects?

The challenge that community governments face is how to prioritize needs, because all needs cannot be met with available resources. Consequently, some way must be found to determine which needs are more important or essential than others. In addition, the consequences of selecting a project must be assessed. Every project will have operations and maintenance costs, tax implications and consequences for other infrastructure. Deciding which projects to undertake requires an assessment of these consequences so that options can be compared. The planning process makes it possible to evaluate needs by ranking them in priority order after all relevant information has been gathered.

## **The capital planning process typically has these important steps**

1. Identify community needs
2. Identify community capital assets
3. Evaluate useful life of existing infrastructure
4. Determine minimum community requirements
5. Ensure compatibility with planned projects and existing infrastructure
6. Develop capital cost estimates including O&M values (net of inflation)
7. Prepare preliminary first cut capital plans (1 year, 5 years)
8. Determine the impact of proposed program requirements on existing infrastructure
9. Identify funding sources
10. Prioritize projects
11. Approve plan tentatively
12. Review and monitor plan and revise and update as needed

The planning process described above should be thought of as a cycle with steps for each phase of the process. Each step will involve sub-steps and tasks that contribute to the planning cycle. By following these steps, capital planning allows community governments to provide the infrastructure that is needed for current and future levels of service.

Click [here](#) for the full text of the School of Community Governments' Community Capital Planning Course.