



Massachusetts Municipal Association

MMA BEST PRACTICES SERIES

Recommendations for Effective Local Government Administration and Management from MMA Policy Committees

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MMA Fiscal Policy Committee

Best Practice Recommendation: Capital Planning

BEST PRACTICE: Develop and maintain a multi-year capital improvements program (CIP) that is integrated into the overall revenue and spending plan of the municipality. The plan could include an assessment of the state of repair of existing capital assets and the need for new ones, a capital debt policy and debt affordability analysis, a schedule for approval and funding of repair, renovation and new construction projects, and identification of sources of revenue and finance.

The Division of Local Services (DLS) has written a manual to help cities and towns develop and implement a CIP. The DLS writes that a good CIP can:

- Facilitate coordination between capital needs and the operating budgets
- Enhance a community's credit rating, control of its tax rate, and avoid sudden changes in debt service requirements
- Identify the most economical means of financing capital projects
- Increase opportunities for obtaining federal and state aid
- Relate public facilities to other public and private development and redevelopment policies and plans
- Focus attention on community objectives and fiscal capacity
- Keep the public informed regarding future needs and projects
- Coordinate the activities of neighboring and overlapping units of local government to reduce duplication
- Encourage careful planning and design to avoid costly mistakes and help a community reach desired goals

The Government Finance Officers Association (GFOA) recommends that "state and local governments prepare and adopt comprehensive multi-year capital plans to ensure effective management of capital assets." A prudent multi-year capital plan identifies and prioritizes expected needs based on a community's strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs. The GFOA recommends that a capital plan "should cover a period of at least three years, preferably five or more."

Resources

Massachusetts Division of Local Services:

- Developing a Capital Improvements Program, A Manual for Massachusetts Communities (1997)

www.mass.gov/dor/docs/dls/publ/misc/cip.pdf

Capital Planning – continued

Government Finance Officers Association (GFOA):

- Asset Maintenance and Replacement (approved by GFOA's Executive Board, March 2010)

www.gfoa.org/asset-maintenance-and-replacement

- Capital Planning Policies (approved by GFOA's Executive Board, September 2013)

www.gfoa.org/capital-planning-policies

- Capital Project Monitoring and Reporting (approved by GFOA's Executive Board, October 2007)

www.gfoa.org/capital-project-monitoring-and-reporting

- Multi-Year Capital Planning (approved by GFOA's Executive Board, February 2006)

www.gfoa.org/multi-year-capital-planning

- Incorporating a Capital Project Budget in the Budget Process (approved by GFOA's Executive Board, January 2007)

www.gfoa.org/incorporating-capital-project-budget-budget-process

- Determining the Estimated Useful Lives of Capital Assets (approved by GFOA's Executive Board, March 2007)

www.gfoa.org/determining-estimated-useful-lives-capital-assets