

# Capital Planning



Capital Planning prevents scarce resources from being consumed in reaction to crises and provides for critical facilities, infrastructure, and equipment to be replaced as they deteriorate during normal use. The Capital Planning Process helps local officials think through complex infrastructure development and financial decisions, which could avert expensive mistakes that frequently result from crisis management. Lenders and bond raters expect local governments to ensure that inherited assets from prior administrations are preserved or replaced in a timely manner.

Local governments commonly adopt a 5-year Capital Improvement Plan (CIP) for proposed projects that have useful lives of more than one year. This CIP is typically updated annually during the local government's annual budgeting process. Major elements under consideration of the CIP process are: conducting an inventory of present physical assets, the completion of an asset maintenance and replacement schedule submitted by each operating department requesting capital items to be included in the budget, and a project time-table containing project requests for future needs.