



Government Finance Officers Association

Capital Asset Management

Part 7

Topics

- Capital Planning
- Capital Budgeting
- Project Management
- Asset Management



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Capital Improvement Planning

CIP Policies

- Scope

- What is the time horizon?
- How is a “capital project” defined?

- Project Identification

- Require full lifecycle cost estimates?
- Anticipated sources of funding?
- Timing/schedule?

CIP Policies

- Selecting projects
 - Define broad criteria for selecting projects
 - Prioritization processes and the wish list items
 - Provide guidance on preferred funding strategies
 - Require long-term financial forecasts including operating costs

- Balanced CIP
 - Sources must equal uses
 - Renounces the “wish list” CIP

CIP Policies

- Funding Strategies
 - Define preferences for pay-go vs. debt financing
 - Define other funding strategies, as may be needed
 - Capital reserves
 - One-time resources
 - Earmarking portions of regular revenues
 - Establishing dedicated revenues
- Operating budget impact statements in the CIP
 - Make sure future O&M costs are fully considered in the CIP process

Capital Budgeting Policy

- Moving projects from the CIP to the capital budget
- Definition of capital budgeting fiscal year
- Guidance on how to handle bids over or under estimates

Project Management Policy

- Define Role of project manager
- Other policies to support good project management
- Project managers like to keep projects open as long as they can. The funds may be needed elsewhere
 - Sunset on authorization
 - Limits on amendments
 - Regular process reviews

Asset Maintenance Policy

- Require a complete inventory & periodic measurement of the physical condition
- Establish condition/functional standards by asset class
- Evaluate infrastructure, other assets. Set priorities.

Asset Maintenance Policy

- Develop financing policies to
 - Maintain a condition assessment system
 - Promote sufficient funding for capital repair & maintenance
- Monitor & communicate progress
- Prepare 'plain language' status report on Capital Asset Condition

Common Types of Capital Liability Replacement Programs

- Fleet –based on mileage or hours
- Building maintenance and replacement
- Computers – certain cycle
- Equipment – certain cycle
- Software
 - Minor
 - Major

Good Policies and One that Has Room for Improvement

- To facilitate the accurate costing of service delivery costs shall be budgeted annually for replacement of city equipment and these costs will be reflected in the operating expenditures of the activity using the equipment.
- Any city building built with bond proceeds will not be included in the capital replacement funding until the debt is paid in full.

Take-Aways

- Asset management policies cover 4 phases
 - CIP; capital budget, project management, maintenance
- CIP policies set the stage for a balanced plan
- Budget policies make for the transition to spending authorization
- Project management policies support efficient/effective execution of a project
- Maintenance policies support the continued vitality of the asset portfolio.