



LEGISLATING FOR RESULTS: *The Capital Budget*

A Municipal Action Guide

Number 5 of 10

The future is difficult to predict. Decisions require both hard facts about the past and dependable projections as to the likely consequences – and not just consideration of immediate problems. Getting and using such information for capital budgeting is the subject of this Brief.

Decisions on capital projects such as new fire stations, local road construction, major water and sewer projects, new

libraries, or a new convention center can encumber the community's funding for many years into the future. Elected officials have the responsibility to make sure that these choices benefit citizens enough to warrant the capital costs and any added annual operations and maintenance costs. Unfortunately, few capital budgets or capital improvement plans currently include information on the specific benefits and who will be affected.

Summary of Actions

- Require capital budget proposals to include expected values for each key outcome indicator. Review the results expected as well as the costs when deciding on funding capital projects.
- Obtain assistance in identifying what is important from the information data provided.
- Establish a schedule of capital project reviews between budget seasons and require relevant outcome information to be submitted before the relevant capital budget hearing.
- Use a set of questions (such as those in Attachment 5-1) to assist in obtaining information to help assess the value of individual proposed capital projects.
- Use the outcome information to assess whether the benefits to your citizens and community are worth the capital cost and possible annual additional O&M funding.
- Use the outcome information to communicate with the public about the proposed capital investments.
- Hold departments accountable for the results achieved with capital projects; assess the outcomes after projects have been completed.

ACTIONS

Good information is needed about the benefits of capital projects. Capital expenditures are generally large and require ongoing operating and maintenance resources to support the added infrastructure. Capital expenditures generally provide improved public services and project justifications should detail the expected resulting outcomes.

ACTION: Require that departments, as part of capital investment proposals, provide estimates of the change in value for each relevant outcome indicator. Review these expected values as well as costs when deciding on which capital projects to fund.

ACTION: Ask departments to include in their proposals information as to: (a) how the capital project relates to the government's overall strategic plan; (b) what are the specific intended benefits/result expected for the capital project, expressed as individual outcome indicators; and (c) what groups are expected to benefit. (*See Examples: Prince William County, VA*)

ACTION: Ask the departments to prioritize their proposed capital projects. Where choices are not clear, hold discussions focusing on the relative benefits of each project.

ACTION: Hold public discussion sessions with citizens to obtain their opinions on major projects being proposed

including the results they would expect from those projects.

ACTION: During capital budget hearings, press departments for any missing or unsatisfactory information. Follow up these requests to ensure that adequate responses are received.

ACTION: Request outcome information about previous capital projects that have been completed to determine if goals are being met.

ACTION: Establish an annual schedule for council reviews of capital projects expected to be of special interest in the forthcoming budget hearings.

ACTION: Develop a set of basic questions for council member use in reviewing capital projects. A list of such questions can be found in **Attachment 5-1**.

Using outcome information in capital budgeting. Once outcome information has been obtained elected officials will need to use it in making decisions about proposed capital projects.

ACTION: Examine the estimates to determine whether the added benefits are worth the money. **Attachment 5-2** provides a simplified example of the outcome information that might be provided to elected officials and the public. (See *Examples: Charlotte, NC*)

ACTION: Include information on expected outcomes to better enable citizens to assess the capital expenditure requests.

ACTION: Use the information obtained from asking such questions as those in **Attachment 5-1** to help assess the value of individual purposed capital projects.

ACTION: Hold departments accountable by comparing the results achieved after the project is completed to the results the departments had expected.

Finding time to consider and use capital budget outcome information. An important aspect of capital budgeting is finding time to do an adequate review of the project proposals.

ACTION: Consider the capital budget prior to consideration of the operating budget so there will be time to focus on capital budget projects.

ACTION: Establish a schedule of capital project reviews between budget seasons.

ACTION: Require departments to provide outcome information before the capital budget deliberations. Council members should not see outcome information for the first time at the time of the hearing.

Get assistance for reviewing capital project outcome information. A major problem for most local government officials is the lack of resources to help them interpret relevant information about the capital project and recognize what key information is missing and what additional information they should request.

ACTION: Seek help from citizen advisory councils. Ask them to review outcome materials and provide elected officials with summaries, highlights, and needed background information.

ACTION: For elected officials that have their own staffs, ask these staff to undertake these reviews. For elected officials without such staff, ask departmental staff to undertake these reviews.

ACTION: For help in examining specific issues, seek inexpensive, if not free, help from local colleges or universities.

ACTION: Ask for outcome information about previous capital projects that have been completed to determine if goals are met.

Department prioritization of capital projects request. Identifying the suggested priorities by staff is helpful to council members when an agency requests increases to its funding level or when funding shortages require tightened budgets.

ACTION: When departments request capital improvement projects, request that they prioritize among the proposed projects, including identifying those projects they believe are essential to providing a minimum level of service.

ACTION: Ask the departments to provide estimates of the extent to which not funding the project would affect key outcome indicators and to explain estimates that appear critical to your choices.

EXAMPLES

Prince William County, Virginia

The Prince William County, VA Board requires that each proposed capital improvement project in its annual Capital Improvement Program include a “Service Impact” section. The Proposed FY 2007-2012 CIP included in the section for a new library facility, information on the following indicators: Projected numbers of monthly visits, checkouts, and information requests. The section also identified the number of residents in the area expected to be served – those residents within about a 15-minute drive time.¹

Charlotte, North Carolina

City Council members in Charlotte, NC used response data on fire and first responder incidents to deliberate the need for an additional fire station and the location for the fire station. This became a very controversial issue, with the neighborhood and council divided on the need to put the fire station at the recommended location. The response data also helped determine the location.²

¹ “Prince William County Proposed FY 2007-2012 Capital Improvement Program,” Montclair Area Library project, page 134.

² E-mail communication from Pamela Syfert, City Manager, Charlotte, North Carolina (June 2, 2006).

Attachment 5-1

Basic Questions To Ask About Proposed Capital Projects During The Capital Budget (CIP) Review Process

1. What are the key results expected from the capital project? What specific needs are addressed by the capital project?
2. Who, what groups of citizens, will benefit from the project? Who else is affected by the project and how?
3. What key outcome indicators will be used to track progress in attaining these results?
4. What do these outcome indicators show for the past several years? For the most recent year? Do they indicate the deficiency that the proposed capital project is intended to alleviate?
5. To what extent have you met your past capital budget targets? For targets that were not achieved, why were those targets missed? What does this latest capital budget do to correct the problems?
6. How will the proposed capital project improve the quality or quantity of services provided to our citizens.
7. Where you have proposed efficiency (cost-saving improvements), what effects will they have on the quality and effectiveness of the service?
8. What effect on the operating budget will the proposed capital project have? Is it likely to reduce other services?
9. Have you considered contracting out or leasing space as an alternative to the proposed project? How would the cost and quality and quantity of service compare?

Attachment 5-2

Example of Outcome Information for Capital Investment Requests

Below is the material provided by an agency about a capital project in a recent year. It has been somewhat modified, but retains the essence of the material. Added in **bold** is how the statement might be enhanced by including results-focused language to justify the capital investment to elected officials and the public.

The proposed project will provide much needed reconstruction and signalization of North Broadway from first street to 20th street. This work will speed up traffic and reduce congestion in this area.

We expect that peak hour driving time from one end of the work to the other will improve from its current average of 12 minutes to approximately five minutes. In addition, it is expected to reduce traffic accidents by about one-half, from the 36 accidents over the past 12 months.

NOTES

