



Policy Brief 2014:01

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Capital Planning : Lessons and Insights from a Capacity Building Pilot Project to Improve Infrastructure Investment

Project Partners and Purpose

Partners. The SUNY Brockport Public Management Program (PMP) partnered with the Southern Tier Central Regional Planning and Development Board (STC) assisting 2 smaller local governments in the region in developing a multi-year capital plan and annual update process. STC provides technical assistance to local governments in a three-county region in New York State's southern tier region. The counties served by STC are Chemung, Schuyler, and Steuben. This pilot test project was supported by a grant from the Appalachian Regional Commission.

Purpose. The goal of this project was to increase management capacity assistance and accessible tools for capital planning within the STC region - to support, grow, and sustain capital planning practices among smaller local governments in the three counties. The purpose of this report is to summarize our work and highlight important lessons and insights gained from the pilot project.

Key Project Ideas

Need: Recent studies by the New York State Comptroller have identified an existing deficit of capital investment in the state's communities¹. Survey evidence points to the measured decline capital planning practices among New York local governments at a time when investment needs are on the rise – this is particularly acute among smaller local governments². The Southern Tier Regional Economic Development Council identified the need to “Improve and expand existing infrastructure” as a long-term need in their Southern Tier Recovery Strategy Document 2020. Adequate and timely infrastructure investment is a key building block for the fiscal health and sustainability of New York's local communities.

Peer Examples. Local government leaders look to proven examples that work for other similar communities when they explore opportunities for change. In this environment, the investment in management assistance to local leaders who desire to implement change and adopt capital planning can have a multiplier effect in local areas and regional settings. A successful pilot has the potential to promote and sustain community by community spread of this

¹ See for example, Office of the State Comptroller, 2017. [Drinking Water Systems in New York: The Challenges of Aging Infrastructure.](#)

² Hattery, Michael, Celia A Watt., and Dawn Footer. 2020. [Local Capital Planning Practices in New York State.](#) Public Management Program Policy Brief Series

2019:5.Department of Public Administration, SUNY Brockport.

important management practice while building regional technical assistance capacity to help sustain the growth of new adoption.

Capacity Support. Often smaller local governments lack the internal capacity to initiate and bring to completion new management practices that involve new data collection, summarization and assessment coupled with a team prioritization process – the first time through. However, once developed and established there is often adequate capacity to continue the practice with minimal need for outside assistance. This pilot activity was developed to provide management capacity assistance within the region to help local organizations interested in initiating or improving capital planning practices.

Software Availability. Another assumption that underlies this pilot is the need for accessible, low-cost, software capacity to ease the collection maintenance and year over year updating of a multi-year capital plan and plan assessment to build local capacity. The development and pilot-based adaptation of our Excel based Capital Planning Workbook is intended to address this need.

Annual Implementation. To be effective a local capital plan needs to be linked to the annual budget process so that budget decisionmakers take needed action steps to incorporate capital plan items each year to implement the plan.

Process and Plan. Along with annual implementation, local governments need a process in place to annually update the plan revising as needed and adding an additional year. This is a needed organization process to complement a multi-year plan of needed investments and funding.

Lessons and Insights – Sections. The purpose of this report is to summarize our work and highlight important lessons and insights gained from the pilot project. The brief on lessons and insights is summarized in the following sections: project preparation, pilot community selection, project process, community team, workbook

modifications, and summary pilot project assessment. There is a list of final pilot project materials at the end of the policy brief.

Project Preparation

Community Engagement Planning. Early in the project Brockport PMP staff had both zoom and in-person meetings with STC staff to review both capital planning process and the Excel Capital Planning Workbook under development. In addition, we jointly developed needed materials for meetings with pilot communities and a tentative outline of our approach for working with communities on the pilot effort. A list of our project materials is at the end of this brief.

Lessons Learned. At this early stage in developing/adapting the Capital Planning Workbook tool, it is essential to have *real* local government financial *and* capital project data to use in testing and assessing the workbook features and in reviewing those features with regional staff and community participants. The PMP team carved out resources and time in the workplan to get preliminary data from a pre-pilot test community to serve this purpose. Early in the project we were able to identify another pre-pilot community, outside the STC region, and assist them in preliminary work so that their real community project and financial data was available for testing and later used for training and demonstration with project pilot communities.

A second lesson learned at this stage was the need for training support for regional staff in financial management, capital planning, project financing and debt management. The staff of regional planning and other assistance providing organizations vary in their experience and training in these areas.

Pilot Community Selection

Recruitment Overview. Non-metropolitan communities have a substantial range in both population size and service responsibilities with infrastructure and other capital investment

needs. Before beginning our search for pilot communities, we outlined the following guidance criteria for recruiting potential participant communities.

- Elected community leadership *with interest* in developing a capital plan.
- Evidence of community infrastructure and capital planning needs.
- Evidence of adequate size and/or administrative capacity to engage and complete the pilot effort.

These criteria were selected to improve the likelihood of a valuable pilot experience.

Lessons Learned. As noted later, we would add a *fiscal readiness* criteria – assuring the ability to provide needed current figures on fund balance, existing debt commitments, etc.

Community Recruitment. STC staff then contacted local governments in the region that met the criteria and indicated initial interest. Two communities expressed initial interest and after more detailed discussion of the pilot process and needed local commitments both agreed to participate. The two communities that participated in the capital planning pilot project were:

- Village of Watkins Glen, Schuyler County, NY (2020 population 1,863).
- Town of Horseheads, Chemung County, NY (2020 census population 19,374)

Lessons Learned. A project one pager was developed to summarize key aspects of project outcomes and expected participation for community leaders and staff, including: number of meetings, length of project activity, potential benefits, what assistance will be provided, etc.

Project Process

The community level pilot work was organized around three meetings of a local capital planning team over the June-August summer months. The project support team (PMP and STC staff) and the community team carried out a tasks between these three key meetings. Our

aim was to develop two preliminary products at the community level: (1) an annual process approach for the local plan to be revised, updated, and implemented and (2) an initial multi-year capital investment plan with estimated plan fiscal impacts.

Meeting 1. Each first meeting involved a set of common agenda tasks and materials. The initial agenda and discussion included:

1. Introduction of local planning group and STC, PMP project team members
2. Introductions and overview of the capital planning (CP) process and other preliminary items (CP definition, CP calendar, etc.)
3. Overview of CP Steps using PMP Capital Planning Excel Workbook.
4. Local community planning groups were: (1) provided an overview of annual capital planning process items to consider and (2) asked to begin identifying a list of needed capital investments/items.
5. The project support team provided a list of materials we would like from the community – either via a web location or an electronic copy including, relevant planning documents, recent budget(s), reserve fund balances, etc. These items would be used to help the local community create a financial framework and assist in calculating capital plan financial impacts.
6. Dates set for future project meetings - 2 additional meeting were tentatively scheduled with each community team.

Meetings 2 and 3. Between the initial community startup meetings and mid-August, the pilot team met with the pilot community planning teams two more times to assist in the development of annual process plan and an initial multi-year capital plan. In these additional meetings combined with numerous phone and email communications, the STC and Brockport PMP staff team worked with the local teams on the following items.

- Introduced the PMP Capital Planning Workbook (Excel product) features to community teams and worked with select local staff to install, train and begin using the Excel workbook.
- Assisted community teams in the identification and recording of community capital projects and their scheduling over the selected term of the capital plan.
- Assisted community teams in identifying important parts of the communities' financial picture for use in the Excel Workbook, including existing operating fund and reserve fund balances, existing debt and debt service commitments, and other pending commitments.
- Worked with local community teams in developing an initial draft of their "proposed" annual planning process for capital planning, including – an annual calendar, definition of capital project, identification of capital planning team and linkage with the annual budget process.

Project Status after Three Community Team Meetings. At this point in the pilot test the progress was different for our two pilot communities. A tentative annual process plan was outlined and approved by both local teams. These plans were summarized in a document by the pilot project team.

Both communities successfully identified a base of key projects and began the development and documentation of a multi-year capital plan. The Village of Watkins Glen was able to prioritize and enter key data for a breadth of projects while awaiting finalization of final existing debt, reserve, and fund balance figures to complete the assessment of plan impacts (some of these figures were awaiting finalization because of delayed year end closing and auditing).

The Town of Horseheads, began using the Capital Planning Workbook, initialized their plan with preliminary project information but were unable to gain the participation of the Town

Highway Superintendent to complete and finalize a full complement of their capital needs for the six-year period. The Horseheads planning effort for the 2024 fiscal year stopped at this point. Some local staff support the effort and may re-energize this activity in 2024 for future year planning.

Lessons Learned. These results indicate the need to pre-assess two important areas for participation in the overall capital planning process. In the case of the Town of Horseheads, securing the participation of key public works staff (and staff from other capital project need areas) on the planning committee from the outset is essential for the community's future participation and engagement. In the case of the Village of Watkins Glen, doing a pre-assessment of current financial readiness to provide key financials for the overall plan development is also a key component of project success.

Project Evaluation by Local Team Members. In September, following the core development phase outlined above, the pilot project team distributed a brief survey to pilot community participants on their experience with the capital planning project and their expectations about improvements in local capital planning. The survey focused on participant experience with the capital planning pilot project and their expectations about improvements in local capital planning moving forward. In general respondents viewed the pilot experience as valuable in improving local capital planning and with positive expectations for future CP implementation. The capital planning software and process was viewed as valuable with no suggestions offered for improvement.

Budget Implementation. As noted above, capital plan implementation in the annual budget process is an essential for success. The two pilot communities operate on different fiscal years. The Town of Horseheads drafted their 2024 annual budget in the fall of 2023 (finalized in October with a January 1, 2024

fiscal year start date) and the Village of Watkins Glen began their 2024-25 budget in February of 2024 (finalized in April of 2024 – June 15, 2024 fiscal year start date). In the fall and early winter 2023-4 STC staff continued to make multiple contacts with the two local pilot community team leaders about their progress in finalizing capital plans and on capital plan implementation during their annual budget development effort and help on capital plan implementation during their annual budget development effort. We offered team support in these steps to both finalize their multiyear plan and to follow through to implement current year projects in the annual budget process. The implementation/completion was limited for both communities at this point in the process. Each is discussed briefly below.

Town of Horseheads. As noted above, the Town of Horseheads stopped their capital planning effort short of completing needed project information for a full complement of capital needs. So, while contact continued the Horseheads effort awaits a restart in 2024 for 2025 and subsequent budget years. The Town of Horseheads has not been able to bring a number of public works related projects into their planning effort because of staff engagement issues.

Village of Watkins Glen. In the case of the Village of Watkins Glen, as we noted above financial reporting and auditing deficiencies slowed their plan finalization. These finalized figures are needed for the planning team to see the plan's impacts on local financial metrics, make needed adjustments, and finalize the multiyear plan. In the interim the village has experienced turnover in their financial staff and are awaiting final figures to complete their multiyear plan. If these needed financial figures can be settled in early 2024 the village capital planning group can return to and restart the multiyear capital plan development and process.

Lessons Learned. Effective current performance in core financial reporting and budgeting

activities is needed to move forward effectively with capital planning. Involvement of key staff in the project and major equipment identification of needs is critical to the overall process.

Future pilot work in this area may benefit from a longer project period. We attempted to work with local government pilot teams in relatively short bursts with work over 2-3 summer months to create a process (or plan for future process) and initial multi-year capital plan. Given the complexity and potential roadblocks, planning to work with a local government team over two budget cycles may be valuable. While working more intensively and outside the normal budget development season seemed valuable, having two budget cycles may be more realistic in getting to firmer footing for establishing both process and plan in smaller organizations.

Community Capital Planning Team

The local capital planning team or committee is one element of the local process. Other key elements of process are an annual planning calendar that meshes well with the annual budget process, and provisions for project definition/requirements and who may propose a project. We worked with the leadership from our local pilot communities on the size and membership of the local capital planning team. In general, a team of 5-8 members is adequate for the planning task. There are some key participants that are valuable as team members. Key participants include: (1) the chief elected official or a designee, (2) budget/finance staff, (3) manager, (4) staff from departments with principal project and equipment oversight and (5) a staff person who will be responsible for overseeing project and finance data collection as well as use of the Capital Planning Workbook software.

Capital Planning Workbook Modifications

The pilot process led to a number of valuable modifications to the Workbook that had been developed in draft form before the pilot project began. Pilot community participants confirmed its usefulness for local capital planning. Two key changes are noted below. A more complete summary of the PMP Capital Planning Workbook is available in the PMP Capital Planning Guide.

Lessons Learned. The pilot experience highlighted that the Capital Planning Workbook serves an important role as a core data reference for current and future capital projects. In response we strengthened the Workbooks capacity to hold a relatively complete set of potential projects in the “Basic Data Sheet.” Secondly, the available space for project information for each item was increased to permit a more expanded project description and history as well as useful references to grant, contract and planning documents linked to projects.

Regional Project Team Assessment

We recruited several experienced local government managers who agreed to serve on our Regional Project Team. The team reviewed and advised on the pilot project approach and the spreadsheet tool used in the pilot effort. During the active phase of pilot community work we held face to face meetings with each of the three member of our Regional Project Team. At these meetings PMP staff provided and overview of our approach to both the development of a process for capital planning and for multi-year capital plan development. PMP staff also provided a guided introduction to the PMP Capital Planning Workbook and plan reports generated by the Workbook.

The three managers on this review team all emphasized the importance of an uncluttered and straightforward approach for small communities. All three reviewers affirmed that the general project approach and the Workbook excel tool contained all necessary features for

local government needs – communicated through a useful and clear format.

Lessons Learned. Two important suggestions emerged from these discussions. First, two administrators indicate the importance of developing a clear but concise text-based description of each capital project in the Workbook and plan. These experienced managers emphasize the importance of this written set of descriptions for communicating with municipal board members and other stakeholders (this was also suggested by members of one of our pilot community teams). We modified both our capital project form and the Workbook software for this purpose.

Second, one regional project team member noted the importance for local communities to link capital planning to more general infrastructure and equipment assessment practices including: maintaining an asset inventory, understanding repair replacement assessment tools, and other options for (1) reducing the cost of outright asset replacement and (2) lengthening the useful life of assets. We agree with this suggestion and consider this a second and important effort in helping communities maintain and improve their capital assets.

Summary Pilot Project Assessment

We believe that the pilot test confirmed that a combination of management capacity assistance and targeted software are needed in for many smaller communities to establish both a local capital planning process and multi-year capital investment plan that can be updated and adjusted over time. Given the truncated completion of our two pilot community efforts, the project did not prove this but seemed to confirm the combined need for staff - management capacity assistance coupled with a software tool for calculations and data management. Merely distributing software without management capacity assistance does not appear adequate to initiate capital planning in small communities. More time for our pilot

communities will demonstrate the results of this initial project investment. The need for further efforts to experiment with and assess this kind of pilot development seems warranted and needed.

2. PMP Capital Planning Guide. A guide to capital planning for nonmetropolitan communities with links to the use of the PMP Capital Planning Workbook.
3. Meeting materials developed for working with local community teams.

Final Pilot Project Materials

1. PMP Capital Planning Workbook (Excel workbook).

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