DOWNLOAD PDF CAPITAL BUDGETING AND FINANCE: A GUIDE FOR LOCAL GOVERNMENTS

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It clearly explains capital budgeting approaches and methods, especially for local jurisdictions under , in population, and it is a valuable resource for city and county managers, finance and budget officials, planning directors, public works administrators, and other officials involved in decisions to meet public infrastructure and.

Many governments establish long-range strategies focused on community development and sustainability through the use of Master Plans. Regular updates to these plans are imperative to ascertain development or infrastructure needs as local conditions change. Master Plans are the foundation for: In addition to a long-range Master Plan, governments utilize Capital Improvement Plans CIP to identify present and future needs requiring capital infrastructure. Such plans operate for a shorter duration, often three-to-five years, and list the projects and capital programs planned for the community with corresponding revenues and financing sources. Paying attention to financial factors during the development of master plans allows for a smoother transition of long-range plans to implementation and lessens the impact on the CIP and future operating budgets. Subsequently, to adequately guide the fiscal, operating, and land use needs of the community, finance officers should use Master Plans as a framework for capital project requests that go into the CIP. Master Plans should provide a vision for capital project plans and investments. Such plans forecast the outlook for the government, illustrating the lignment between demand generators, capital improvement programs, and funding policies. In doing so, Master Plans help address the management factors that are critical in rating analysis and investor communication. Governments should make capital project investment decisions that are aligned to their long-range Master Plans. The list of potential projects for inclusion in the CIP comes from a variety of sources, including department requests, plans for facility construction and renovations, long-term capital replacement programs, citizen requests, neighborhood plans and projects for which grant funds are available. The CIP should be viewed as a financial blueprint that helps prioritize needs to achieve implementation of the public improvements identified in the Master Plan. The level of funding in the CIP defines the financial capacity to reach the desired goals set forth in the Master Plan. The finance officer should play an active role in the early planning process. Master Plans can be useful for projecting long-range service demand generators, facility capacity needs, and stakeholder communication. Knowledge of facility capacity needs coupled with financial policies and revenue comparisons allows for the development of a more fiscally prudent Master Plan. This balance can be accomplished by considering financial implications during the development phase of a Master Plan. Financial factors should be considered as part of the development of Master Plans. The master planning process should be an in-depth analysis, incorporating the financial factors that bridge the gap between planners and finance officials. When integrating plans with financial policies, governments should consider both the costs and revenue streams. Possible revenue streams include bond programs, pay as you go alternatives, grants, impact fees, and public private partnership alternatives. Reviewing the revenue generating potential under the plan assumptions will help identify the capability to finance needed capital projects as well as any gaps in the ability to do so. Planning documents should incorporate scenario testing during development and the jurisdiction should, at a minimum, understand the plan cost drivers, alternative scenario outcomes from both a need and revenue generating potential and options for meeting the desired goals. This Recommended Practice utilizes the title Master Plans to denote the long-range plans 10 - 25 years that act as a framework for capital project requests that direct the Capital Improvement Plan. Capital Budgeting and Finance:

Chapter 2 : Capital Budgeting

This document is the electronic version of Capital Budgeting and Finance: A Guide for Local Governments, Second Editionâ€"a book that provides practical information and detailed strategies to develop the essential capital improvement plan for any community, emphasizing the most current guidance for developing a capital financing strategy and managing debt.

Capital budgeting is the process of planning for projects on assets with cash flows of a period greater than one year. These projects can be classified as: Mutually exclusive projects are potential projects that are unrelated, and any combination of those projects can be accepted. Independent projects indicate there is only one project among all possible projects that can be accepted. The Importance of Capital Budgeting Capital budgeting is important for many reasons: In capital budgeting , there are a number of different approaches that can be used to evaluate any given project, and each approach has its own distinct advantages and disadvantages. All other things being equal, using internal rate of return IRR and net present value NPV measurements to evaluate projects often results in the same findings. Although using one discount rate simplifies matters, there are a number of situations that cause problems for IRR. If an analyst is evaluating two projects, both of which share a common discount rate, predictable cash flows, equal risk and a shorter time horizon, IRR will probably work. The catch is that discount rates usually change substantially over time. For example, think about using the rate of return on a T-bill in the last 20 years as a discount rate. Another type of project for which a basic IRR calculation is ineffective is a project with a mixture of multiple positive and negative cash flows. For example, consider a project for which marketers must reinvent the style every couple of years to stay current in a fickle, trendy niche market. Recall that IRR is the discount rate that makes a project break even. If market conditions change over the years, this project can have two or more IRRs, as seen below. Thus, there are at least two solutions for IRR that make the equation equal to zero, so there are multiple rates of return for the project that produce multiple IRRs. Each cash flow can be discounted separately from the others. Another situation that causes problems for users of the IRR method is when the discount rate of a project is not known. In order for the IRR to be considered a valid way to evaluate a project, it must be compared to a discount rate. If the IRR is above the discount rate, the project is feasible; if it is below, the project is considered infeasible. If a discount rate is not known, or cannot be applied to a specific project for whatever reason, the IRR is of limited value. In cases like this, the NPV method is superior. So, why is the IRR method still commonly used in capital budgeting? Its popularity is probably a direct result of its reporting simplicity. The NPV method is inherently complex and requires assumptions at each stage - discount rate, likelihood of receiving the cash payment, etc. The IRR method simplifies projects to a single number that management can use to determine whether or not a project is economically viable.

Chapter 3 : Capital budgeting and finance : a guide for local governments (Book,) [blog.quintoapp.com]

Capital Budgeting Finance: A Guide for Local Governments, 2nd edition, provides practical information and detailed strategies to develop the essential capital improvement plan for any community, emphasizing the most current guidance for developing a capital financing strategy and managing debt.

Chapter 4 : Master Plans and Capital Improvement Planning | Government Finance Officers Association

Sample for: Capital Budgeting and Finance: Guide for Local Governments Summary An up-to-date, comprehensive, and detailed how-to manual for planning and financing successful capital projects, written by a nationally known and award-winning expert on capital budgeting, A. John Vogt.