

# **Tools & Tips - Capital Budgeting**

## Tip 1: Asset Management = Cost Savings

Know what you own. Take care of it. Plan and budget *before* disaster strikes or it breaks.

### Why do capital assets matter?

These assets make life safe and functional for residents. If they're not cared for, they can break down, cost more to fix later, or even risk public health and safety.

### What often goes wrong?

Towns are under pressure to keep costs low and look only at the annual operating budget and put off maintenance and replacement. That makes things worse (and more expensive) in the long run. Think of costs now compared to last year and now looking pre-covid. Planning ahead allows the town to stay in the driver's seat of its fleet as opposed to disasters or accidents, forcing the town into a reactionary and expensive chain of events in order to deliver fundamental services.

### What should Towns do?

- **Keep an inventory:** Know what you own, where it is, how old it is, and what condition it's in.
- **Set standards:** Decide what "good condition" looks like (roads rated by Pavement Index, bridges by inspection scores, etc.).
- **Update regularly:** Check condition every few years at least.



- **Plan ahead:** Build these needs into a multi-year capital plan and capital (annual) budget. Think life cycle cost, what will the cost of be to acquire, maintain and dispose of asset over its lifetime?
- **Fund maintenance:** Dedicate enough money each year for repair and replacement.
- **Report clearly:** At least every three years (ideally annually), give the selectboard and public an easy-to-read report on the condition of town assets and funding needs.

**JUMPSTART: Much of the information needed to start capital planning comes from existing records:**

- Insurance schedules
- The town plan or long-range planning documents
- Equipment logs and maintenance records
- Past capital project files

Start by gathering what's already documented. Fill in gaps with age estimates, condition assessments, and replacement costs. Over time, this builds a complete picture of your town's assets and priorities—without starting from scratch.

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## **Tip 2: Policies that help, not hinder**



A good policy should simplify, not complicate. Use fewer clear policies that cover essentials without adding red tape. The goal is transparency, continuity, and sound decision-making, not paperwork overload. You don't need multiple policies if one can cover the essentials with fewer policies.

Ex. VLCT Model Capital Program and Budget Policy:

One can include key asset management practices—like inventories, condition checks, and depreciation schedules—without creating a separate document/policy such as an asset management policy.

**Keep it simple, clear, and consistent.** A good policy promotes transparency, continuity, and sound decision-making, while helping new staff or boards understand how and why decisions are made.

**JUMPSTART: Use an existing template or a neighboring town's policy and adapt it for your community!**

**NEW! VLCT Tools:**

[Capital Improvement Plan 5 YR Summary](#) (Template - 08/25/2025)

[Capital Project Request](#) (Template - 08/25/2025)

[Model Asset Management Policy Insert](#) (to accompany existing VLCT Capital Program and Budget Policy as well as VLCT Debt Management Policy) (08-25-2025)

**GFOA Template:** [Asset Management Template](#)

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## Tip 3: Make the Budget Work for the Plan



## **Why does the capital budget matter?**

A multi-year capital plan lays out the town's needs over 5–20 years. The capital budget is the annual piece—the projects and purchases actually funded this year. Together, they make sure today's spending fits into tomorrow's goals.

## **What often goes wrong?**

Towns treat the capital plan and the budget as separate things, or skip the plan altogether. This results in reactionary spending—only fixing what breaks—rather than steady, affordable investment. Emergencies then drive the budget instead of priorities.

## **What should towns do?**

- Dedicate funds each year for maintenance and replacement, not just new projects.
- Use the capital plan to guide what goes into the annual budget.
- Adjust for inflation and rising costs so estimates stay realistic.
- Report clearly on how projects connect to long-term goals and community needs.
- Balance short-term affordability with long-term savings—sometimes spending now prevents a much bigger bill later.

## **Think of it as the two of them working together.**

The plan is the roadmap, and the annual budget is the next mile on the journey. Both are needed to keep the town in the driver's seat instead of reacting to emergencies and causing for higher costs.

## **Resources:**



- **GFOA Best Practices:**

- [GFOA document on what to include in a capital plan \(best practices\)](#)

- [GFOA Multi-Year Capital Planning \(best practices\)](#)

- **What it is:** A 5–25 year roadmap for major assets (roads, water, buildings, equipment).
    - **Why it matters:** Keeps services reliable, finances sustainable, and the community future-ready.
      - **Key parts:**
        - Identify needs using asset life cycles and growth plans
        - Estimate full project and long-term costs
        - Prioritize by safety, preservation, and growth
        - Match projects with sustainable funding
        - Consider environmental and community impacts

- [Regional Planning Commissions](#)

- [Municipal Planning Grants \(ACCD\)](#)

- **Appoint a CIP Committee.** Some towns (including North Hero and Cornwall) have appointed a CIP Committee.
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## Having a tough time getting started?

VLCT's Municipal Support Team is here to help! Government Finance Specialist Marguerite Ladd, [mladd@vlct.org](mailto:mladd@vlct.org), and Municipal Operations Specialist Kathleen Ramsay, [kramsay@vlct.org](mailto:kramsay@vlct.org).



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