Capital Budgeting - Tools, Tips, & Templates

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Effective capital budgeting helps municipalities maintain infrastructure, manage costs, and avoid costly emergencies by planning ahead. This guide highlights three key practices: **asset management**, adopting clear and practical **capital budget policies**, and aligning **annual budgets** with long-term capital improvement plans.

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?

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- 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, dispose of, and replace an asset over its lifetime?
- Fund maintenance: Dedicate enough money each year for repair and replacement. Do not defer it.
- 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, such as your hazard mitigation plan and road erosion inventory
- 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 Improvement Plan and Capital Budget Policy

One can include key asset management practices – like inventories, condition checks, and depreciation schedules – without creating a separate document or 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!

VLCT Tools and Templates

Getting Started with Capital Planning – A Step-by-Step Guide (linked)

Gantt-Style CIP Development Timeline (linked)

Checklist for Capital Improvement Plan Development (linked)

Capital Project Submission Form (linked)

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Calendar Year

Capital Improvement Plan and Equipment Replacement Plan - Calendar Year (linked)

Equipment Replacement Plan - Calendar Year (linked)

Fiscal Year

Capital Improvement Plan and Equipment Replacement Plan - Fiscal Year (link)

Equipment Replacement Plan - Fiscal Year (linked)

GFOA Template: Asset Management Template(opens in a new tab)

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 five to 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.

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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.

Additional Resources

- **VLCT's Funding Opportunities for Capital Planning**
- **GFOA Best Practices:**
  - GFOA document on what to include in a capital plan (best practices)(opens in a new tab)
  - GFOA Multi-Year Capital Planning (best practices)(opens in a new tab)
    - **What it is:** A five- to 25-year roadmap for major assets (roads, water, buildings, equipment)

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        - **Why it matters:** Keeps services reliable, finances sustainable, and the community ready for the future
            - **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(opens in a new tab)
- Municipal Planning Grants (ACCD)(opens in a new tab)
- **Appoint a CIP Committee.** Some towns (including North Hero and Cornwall) have appointed a CIP Committee.
- Road to Resilience: Town Highway Disaster Reserve Benchmarks | VT Bond Bank - The **Vermont Bond Bank (VBB)** has released its first-ever **Town Highway Disaster Reserve Benchmarks** — a financial planning tool and online database designed to help municipalities estimate how much to set aside annually to cover the cost of extreme weather damage to local roads and bridges.

Having a Tough Time Getting Started?

VLCT's Municipal Support Team is here to help! Contact Government Finance Specialist Marguerite Ladd at **mladd@vlct.org**(opens in a new tab) and Municipal Operations Specialist Kathleen Ramsay at **kramsay@vlct.org**(opens in a new tab).

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