



Recommended Practice

The Role of Master Plans in Capital Improvement Planning (2008) (CEDCP)

Background. Many governments establish long-range strategies focused on community development and sustainability through the use of Master Plans¹. As blueprints for the future, these plans identify economic, land use, and infrastructure development and/or redevelopment, which may include transportation, housing, and public facilities. Master Plans, most frequently coordinated by the local government's planning department with broad community participation, identify jurisdictional needs ten to twenty-five years into the future. Regular updates to these plans are imperative to ascertain development or infrastructure needs as local conditions change.

Master Plans are the foundation for:

- the development of physical plans for sub-areas of the jurisdiction;
- the study of subdivision regulations, zoning standards and maps;
- the location and design of thoroughfares and other major transportation facilities;
- the identification of areas in need of utility development or extensions;
- the acquisition and development of community facility sites;
- the acquisition and protection of open space;
- the identification of economic development areas;
- the incorporation of environmental conservation;
- the evaluation of short-range plans (zoning requests, subdivision review, site plan analysis) and day-to-day decisions with regard to long-range jurisdictional benefit; and
- the alignment of local jurisdictional plans with regional plans.

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.

Recommendation. The Government Finance Officers Association (GFOA) recognizes the role of Master Plans as one of the CIP's important elements and recommends that governments consider the following:

1. **Master Plans should provide a vision for capital project plans and investments.** Master Plans provide a vision for the government that should be supported by realistic planning documents, solid financial policies targeted for the implementation of stated goals, and trends on the government's accomplishments and progress toward these goals. Such plans forecast the outlook for the government, illustrating the alignment 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.
2. **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,

¹ Jurisdictions may refer to Master Plans by various names, including Comprehensive Plans or General Plans. 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.

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. These projects should always be reviewed for consistency with the government's Master Plan(s). 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.

3. **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. It is important that Master Plans strike a balance between stakeholder vision and the government's financial capacity in order to reach the desired goals. This balance can be accomplished by considering financial implications during the development phase of a Master Plan.
4. **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. Moreover, the plan's vision should be balanced between the financial capacities to meet the stated goals, or at a minimum, should clearly identify the financial implications of a vision that may conflict with the jurisdiction's financial policies and capacity. 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.

References

- John Vogt, *Capital Budgeting and Finance: A Guide for Local Governments*, (Washington, D.C.: International City/County Management Association, 2004)
- GFOA Recommended Practice: *Multi-Year Capital Planning (2006) (CEDCP)*

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