CAPITAL PLANNING PRINCIPLES

“A. Strategic linkage:

“Capital planning is an integral part of an agency’s strategic planning process. It provides a long-range plan for the capital asset portfolio in order to meet the goals and objectives in the agency’s strategic and annual performance plans. Agency strategic and annual performance plans should identify capital assets and define how they will help the agency achieve its goals and objectives. Leading organizations also view strategic planning as the vehicle that guides decision making for all spending.

“B. Needs assessment and gap identification:

“A comprehensive needs assessment identifies the resources needed to fulfill both immediate requirements and anticipated future needs based on the results-oriented goals and objectives that flow from the organization’s mission. A comprehensive assessment of needs considers the capability of existing resources and makes use of an accurate and up-to-date inventory of capital assets and facilities as well as current information on asset condition. Using this information, an organization can properly determine any performance gap between current and needed capabilities.

“C. Alternatives evaluation:

“Agencies should determine how best to bridge performance gaps by identifying and evaluating alternative approaches, including nonphysical capital options such as human capital. Before choosing to purchase or construct a capital asset or facility, leading organizations carefully consider a wide range of alternatives such as contracting out, privatizing the activity, leasing, and whether existing assets can be used.
“D. Review and approval framework with established criteria for selecting capital investments:

“Agencies should establish a formal process for senior management review and approval of proposed capital assets. The cost of a proposed asset, the level of risk involved in acquiring the asset, and its importance to achieving the agency mission should be considered when defining criteria for executive review. Leading organizations have processes that determine the level of review and analysis based on the size, complexity, and cost of a proposed investment or its organization-wide impact. As a part of this framework, proposed capital investments should be compared to one another to create a portfolio of major assets ranked in priority order.

“E. Long-term capital investment plan:

“The long-term capital plan should be the final and principal product resulting from the agency’s capital planning process. The capital plan, covering 5 years or more, should be the result of an executive review process that has determined the proper mix of existing assets and new investments needed to fulfill the agency’s mission, goals, and objectives, and should reflect decision makers’ priorities for the future. Leading organizations update long-term capital plans either annually or biennially. Agencies are encouraged to include certain elements in their capital plans, including a statement of the agency mission, strategic goals, and objectives; a description of the agency’s planning process; baseline assessments and identification of performance gaps; and a risk management plan.”