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Capital improvement planning provides a regular program for budgeting and fiscal planning. A 6-year plan provides the luxury of reflection rather than stamping out fires in the heat of disaster.

# long-range capital improvement planning

By Eddy J. Van Meter and G. Kent Stewart



Eddy J. Van Meter is currently Director of the Center for Extended Services and associate professor of educational administration in the Kansas State University College of Education. During the past 10 years, Van Meter has been principal investigator and director of more than a dozen contracted and research studies, several of which have focused on educational facility and capital improvement planning. Van Meter received his undergraduate degree from the University of New Mexico, and both his master's and Ed.D in educational administration and management psychology from New Mexico State University.

G. Kent Stewart is a native of Indiana where he was a teacher and a school principal prior to completing his doctorate at Indiana University in 1964 where he studied educational administration, specializing in facility planning. For two years following he was director of school facility planning for the State of Delaware. For seven years prior to joining KSU in 1973, he was director of school facilities for the Montgomery County (Maryland) Public Schools where he was responsible for construction of 48 new schools and expansion or modernization of dozens of others. Stewart has done considerable writing and has conducted a number of school building studies in several states including Kansas.

The process of determining needed educational capital improvements can be a regular and orderly planning activity in any size school district through the development of an annual and on-going 5-year capital improvement program. Admittedly, the first such program is challenging and requires a good deal of staff time and effort. Thereafter, however, it is a relatively simple annual task to refine and move forward the next year's program and to add another year to the total plan.

Typically, the 6-year program (annual plus 5 years) is referred to as the CIP—Capital Improvement Program—and is presented to the board of education as a written budget/planning document specifying required capital improvements along with their probable costs and estimated timetables and statements of justification. Ordinarily, the program is based on a fiscal year format extending from July 1 of one year through June 30 of the next. An annual and 5-year program starting with the upcoming fiscal year would appear as follows:

1. Fiscal Year 1977—July 1, 1976-June 30, 1977
2. Fiscal Year 1978—July 1, 1977-June 30, 1978
3. Fiscal Year 1979—July 1, 1978-June 30, 1979
4. Fiscal Year 1980—July 1, 1979-June 30, 1980
5. Fiscal Year 1981—July 1, 1980-June 30, 1981
6. Fiscal Year 1982—July 1, 1981-June 30, 1982

## Responsibility

The program (budget) document originates with the superintendent of schools, or in larger school systems at his direction and is presented to the board of education by the superintendent. It is the superintendent's recommended program to the board and upon approval annually becomes the board's CIP to be administered by the superintendent of schools or his designee, usually an assistant superintendent or director of school facilities or perhaps the director of buildings and grounds. The board of education may find it within its wisdom to amend the overall plan annually at the time it reviews the recommended annual plan and the recommended projected 5-year program.

The advantages of moving to a 6-year program are to some extent self-evident. Such a guideline for needed capital improvement expenditures provides the local board with information that permits discussion and board action on a regular, future-oriented and planned basis, thus minimizing potential for capital improvement discussions to become *ad hoc* reactions to emergency situations. A 6-year program also facilitates continuity and stability during board of education

changes by providing the community, including prospective board members, with a capital improvement plan of action that continuously receives public input and scrutiny. The 6-year planning concept also facilitates an orderly process for capital improvement financial planning, wherein school business officials can look toward future expected capital improvement expenditures, rather than being confronted with sudden and too often unanticipated financial obligations. And, finally, the 6-year CIP permits time for reflective judgment and modification, a luxury not often afforded when capital improvement planning is done in an atmosphere of heated debate and usually under pressure of unrealistic time constraints.

#### Design

The actual 6-year CIP document should be designed to meet the unique and individual needs of each school district. It is typically divided into three major sections as was noted earlier—recommended projects, cost and time estimates, and rationale. These three interrelated parts can be combined into a single narrative relating to each recommendation if the planner finds such a format more concise and presentable. In some instances, cost estimates and timelines for implementation can be displayed in a more precise manner by the use of a standard detail sheet which provides specified information about each recommended project in the total document. A completed example copy of such a detail sheet is presented in Figure 1. The use of a detail sheet of the type presented gives board members and other interested readers a rational basis for comparing recommendations and also provides an easy-to-use method for rearranging projects as changes of priority in implementation are decided upon.

#### Preparation and Timing

In introducing the 6-year program concept within a school district, it is usually necessary and certainly advisable to conduct initially a rather systematic evaluation for all educational facilities owned by the school system. Such an evaluation may be carried out by district personnel, although with the exception of large districts employing specialists in facility planning, it is usually advisable to contract for such services with a recognized facility consultant or consulting organization. The written report prepared at the culmination of this evaluation of facilities serves as a data-base on which to make the initial set of 6-year recommendations. As each year progresses and an additional new year is moved into place in the continuous program, it naturally becomes necessary to update the evaluation and review. As a practical matter of planning, a district should look toward a rather comprehensive educational capital improvement study approximately every 10 years, while during the intervening period relying primarily on the latest comprehensive study report plus annually revised population and enrollment data as compiled by district personnel.

#### Budget Document Outline

Following is an outline for a capital improvement program budget document. It can be adjusted to meet local conditions and requirements, but for the most part serves quite adequately.<sup>1</sup>

<sup>1</sup> Council of Educational Facility Planners. *Guide For Planning Educational Facilities*, The Council, Columbus, Ohio, 1969, p. 160.

### The Annual and Five-Year Capital Improvement Program

Title Page
Letter of Transmittal
Table of Contents
Educational Philosophy and Goals
Program of Recommended Capital Improvements (Upcoming Fiscal Year)
Including Detailed Statements of Projected Justification
New Schools
Additions to Schools
Alterations and Renovations
Furnishings and Equipment
Related Facility Needs Not Including Land
Land (Site) Acquisitions
Program Statement of Required Expenditures
Program Statement of Income or Revenue
Anticipated Projected Five-Year Program of Capital Improvements*
Appendix**

#### Budget-Making Calendar

The budget-making calendar is a function of state law and of the size of the school district—the larger the district, the longer the process. There are three stages in the budget-making calendar. The preparation phase, the review and adoption phase, and the implementation phase.

The preparation phase, especially for the first CIP, lends itself nicely to overall needs assessment and delineation of priorities. Once this has been done, the recommended projects by fiscal years can be entered into the total program and the costs estimated, with their justifications developed.

The review and adoption phase is a function and responsibility of the superintendent of schools and the board of education. The budget document is presented to the board, examined in detail, possibly reduced or otherwise adjusted, and formally adopted. Greatest concentration is spent on the upcoming fiscal year, but careful attention is also given to the five-year projection. Hopefully, the board of education will finally adopt the total 6-year program with the understanding that review and program adjustment will occur annually.

The implementation phase is perhaps the most important because it represents the culmination of weeks or months of planning effort. Also, this phase reflects the skill of the person or persons who assembled the budget in testing their accuracy in cost estimating, project timing, and political finesse in justifying capital improvement project requirements.

#### Project Timing

The most critical task in effectively implementing an approved capital improvement project is to assure that the timetable is accurate and the project is phased so that

\*The rapidity of change in educational facility costs requires that only approximate costs be listed in this section of the budgets. Cost estimates for projects in the upcoming fiscal year should be very accurate.

\*\*The content of the Appendix will vary widely with the size of the school system and the resulting complexity of the budget document.

**Figure 1.** Detail Sheet for Describing Recommended Capital Improvement Projects.

FISCAL YEAR 1977 ESTIMATED COST \$920,000 PRIORITY 1

SCHOOL NAME New Northwest Elementary School

DESCRIPTION OF PROJECT A 12-room, 325-student capacity, Grades K-6 elementary school to be located on an 8-acre, already owned site in the northwest portion of the school district.

**ESTIMATED COST**

General Construction	\$ <u>421,600</u>
Electrical	<u>154,400</u>
Mechanical	<u>151,200</u>
Furniture and Equipment	<u>65,000</u>
Architect/Engineer Fees	<u>47,500</u>
Other Costs (Inspection)	<u>8,000</u>
Contingency	<u>42,850</u>
Total	\$ <u>.890,550</u>
Site Development	<u>29,450</u>
<b>GRAND TOTAL</b>	\$ <u><u>920,000</u></u>

**TIMETABLE**

Program Requirements to Architect	<u>Apr., 1976</u>
Schematic Plans**	<u>May, 1976</u>
Design Development Plans	<u>June, 1976</u>
Construction Drawings	<u>Aug., 1976</u>
To Bidders	<u>Aug., 1976</u>
Receive Bids	<u>Sept., 1976</u>
Award Contract	<u>Sept., 1976</u>
Complete Construction	<u>Aug., 1977</u>
Occupy	<u>Sept. 1977</u>

\*\*Referendum—

Breakout of Cost by Cash Flow Requirements Per Fiscal Year.

Total Estimated Cost \$ 920,000

Cash Requirements by

Fiscal Year	FY <u>1977</u>	\$ <u>740,000</u>
	FY <u>1978</u>	\$ <u>180,000</u>
	FY <u>--</u>	\$ <u>---</u>

Date Sheet Prepared March 10, 1976

scheduled completion is realized. The larger and more complicated the project, the more difficult this task becomes. For example, to build a large high school may require three years of planning and construction effort. Sometimes it is profitable (especially in non-referendum projects) to budget planning funds one year, construction funds the next year and perhaps even defer equipment funds until the third year. This technique requires careful budget timetable planning but results in savings when one considers that it is difficult to re-invest bond monies to realize a return greater than the interest payments, especially considering the

relative short term of investment and the necessary hold back of monies to meet cash flow requirements.

**Conclusion**

School district enrollment and population, financial ability and effort, condition of buildings in relation to curricular change, and cost of construction are critical areas of concern in capital budgeting. Continual study of these variables blended with active public involvement in decision-making represents the keystone of effective annual and long-range capital improvement planning.