


Capital Planning in the Public Sector: Constraints, Community and Countermeasures



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A woman with dark hair in a ponytail, wearing a white sleeveless top and large gold earrings, is speaking into a microphone. She is seated at a table with other people in a meeting room. In the background, there is a large screen displaying a world map. The scene is brightly lit, suggesting a modern office or conference room.

In the public sector, state and local authorities are being forced to rethink how they plan.

Predictable revenue streams and reliable funding sources have given way to tight budgets that must stretch to support aging infrastructure and evolving community priorities. These persistent pressures require state and local authorities to adapt quickly, reconsider long-term investment strategies, and make every dollar count for the communities that depend on them.

As a result, capital planning goals are often ambitious. Executing them can be intimidating. Anchoring your approach with **guiding principles that go beyond budgets** and reflect your community's unique needs can help you establish long-term resilience and find a balance between cost, risk and impact.

Evaluating Constraints: What Puts State and Local Infrastructure at Risk

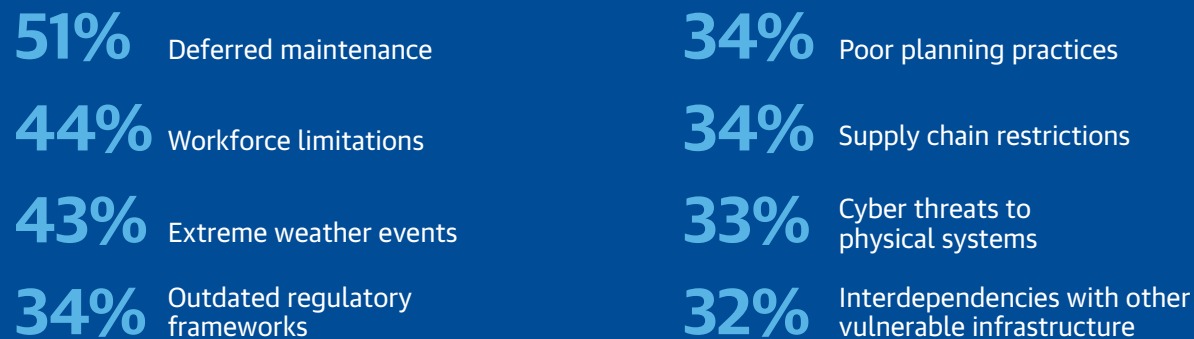
While state and local administrators' list of pressures and priorities changes over time, the constraints they feel are always present – and always real. From deferred maintenance and workforce shortages to extreme weather and cyber risks, they face a complex web of threats that pose serious challenges to maintaining the physical infrastructure supporting their communities.

Where should leaders focus their attention when everything feels urgent? The short answer: on the challenges that matter most to their communities and that pose the greatest risk to resilience and reliability.

Recently, leaders from a variety of state and local government departments were asked to assess the primary risks to their physical infrastructure. And their responses underscore just how multifaceted and persistent these threats have become.

As enduring pressures like deferred maintenance and workforce limitations leave critical assets vulnerable, newer external factors like cyber threats add layers of complexity to systems that are already strained. **Today, there's more to manage and more to protect.**

Which of the following currently pose a threat to physical infrastructure in your jurisdiction?



Although there's nothing unfamiliar or unexpected about many of the challenges surveyed administrators struggle with, there's one critical discovery to note, says Pete Zuraw, vice president of market strategy and development for Gordian: "So much of what these owners, operators and leaders oversee is out of their control," he explains. "But many of the threats mentioned here are well within the control of the people involved. **These issues have become threats due to human decisions or inaction in the face of recurring needs.**"

For example, when necessary repairs or infrastructure upkeep are postponed so budgets can be balanced or funds can be redirected for essential programmatic needs, critical systems are inherently deprioritized and put at risk. Likewise, when recruitment, training and retention programs are under-invested, then workforce performance issues develop, caused in part by those financial decisions.

It's also critical to recognize that **some courses of action inevitably bring on new risks**, broadening the threat landscape. Recognizing how today's threats interact with and impact tomorrow's operations is essential for resilient capital planning. For instance, aging infrastructure and a shortage of skilled labor today could intensify the impact of deferred maintenance tomorrow; integration of digital controls to improve efficiency now may introduce new cyber risks and operational challenges later.

Leaders often focus on aging infrastructure as a more pressing and consequential threat than most other operational challenges. As a result, organizations frequently prioritize infrastructure updates in their capital planning. "But the best people and the most innovative systems, all aligned in size and purpose, will still fail if the overall portfolio has deteriorated due to age," Zuraw points out.

Which of the following factors is "extremely" or "very" likely to exacerbate current vulnerabilities in physical infrastructure?

66% Aging infrastructure

38% Climate change

46% Lack of labor with the right skills

35% Changing demographic demands

40% Integrating digital controls on physical systems

34% Cascading failures



Communities Come First in Capital Planning

With every move state and local administrators make, the community they serve must be considered, informed and engaged. Once solutions have been identified to resolve capital planning challenges, it's critical to step back and ask: **What impact will this approach have on the community?**

Based on Gordian's recent survey results, community engagement is something many state and local leaders tend to prioritize after funding, instead of letting this input drive budget decisions.

"Thinking about how you serve your communities more effectively must be woven throughout every action," says Caroline Johnson, senior director of sales for Gordian. "Each spending decision should be anchored in its impact on the public. **How does it benefit the community, address their needs or advance shared goals?**"

Emphasizing public benefit can also act as a framework to make and communicate tough choices about priorities and trade-offs. Consistently assessing choices in terms of public impact can guide better decisions and make it easier to explain and defend decisions to the community, which helps build trust.

Once you understand community aspirations, then it's time to build consensus around how to move forward. "That means making decisions about what will move you in the direction that is most aligned with where you want to be as a community," says Zuraw. "Otherwise, you have no basis for decision-making."

As a community steward, understanding public perception is paramount. Measuring performance in the eye of the community is essential to validate that you're on track in the near-term. And you can demonstrate to constituents that you're standing by your promises.

When there's alignment between the actions you take and the strategic goals of your community, advises Zuraw, then you're positioned to make a measurable difference.

By grounding your strategy in guiding principles that reflect the values of your community, you set the stage for lasting resilience and are able to deliver meaningful, long-term benefits for your citizens.



Countermeasures to Consider When Budgets Aren't Budging

While administrators seem to be well-informed about the array of threats and obstacles they must navigate, do they have the tools to respond?

The answer may differ when comparing state and local agencies. For local leaders, explains Zuraw, it's important they have tools to help them not only individually but also help their teams around them respond to and prioritize threats. Meanwhile, at the state level, he says it's impossible not to acknowledge the increasingly corrosive political dialogue that's making it difficult – even with the right tools – to reach consensus on major issues.

Are you prepared to counteract the threats that challenge your community? How do you plan to overcome the vulnerabilities and obstacles that stand in the way of progress?

While state and local leaders can't control forces like the weather, they can take countermeasures to inform capital budgets based on shifting weather patterns and climate-related risks, Johnson points out.

Consider a terra cotta roof on a city hall in Northwest Florida. Traditionally long-lasting roofing systems, terra cotta may not offer as much life as it used to. When replacement is needed, the question becomes: Do you swap one terra cotta roof for another, or do you consider a more durable option that can better withstand hurricanes and strong Gulf Coast winds?

Labor is another example. State and local leaders can't always influence which staff members stay, which leave, and which advance. But they do have control over variables like workplace culture, professional development opportunities and employee engagement, which all impact employee attraction and retention.

6 Alternative Strategies to Consider

When many state and local administrators think of capital planning, they think about their budgets. While funding at the state level may be less of a challenge than it is at the local level, where budget shortfalls are more common, access to dollars is an issue for virtually every leader.

"Dealing with budget only is not the way to solve problems," says Zuraw. "And it's very unlikely that the budget problems you face now will ever disappear entirely. You can't live exclusively in the budget issue."

Even as revenue improves, there will always be new demands, rising costs and unforeseen events that quickly eat up newly available resources. And your budget can only stretch so far to cover these conflicting demands.

This narrow focus on short-term financial fixes also ignores the impact that practices like strategic thinking, stakeholder engagement and long-term visioning can have.

"It's already a tall task to tackle deferred maintenance," says Johnson. "Now we have even more competing priorities that could, in theory, take away budget, focus and awareness of critical operational issues like cybersecurity."

What steps can you take in a public-sector environment when **relying on more money isn't a guarantee?**

Start by recognizing that budget constraints aren't going anywhere. And then find new tactics to focus on.

What are the biggest obstacles to addressing risk factors to physical infrastructure?

81% Budget constraints

35% Political opposition to infrastructure projects

34% Complexity of cybersecurity needs in modernized infrastructure

34% Uncertainty of extreme weather patterns

31% Outdated regulatory frameworks

30% Lack of inter-agency cooperation

27% Fragmented policy barriers





Lead With Constituent Conversations

Before you do anything, you must listen to community voices, whether they're heard through town hall meetings, community polls or another platform.

There will always be initiatives, community groups and assets that aren't being served in the near term, whether you're funding a school in an area that feels underfunded, or you're planning for a new football stadium.

No matter what your decisions look like, it's important to hear what community members want and to be clear about:

- Where your commitments lie
- The hierarchy of services you aim to provide
- Who you're serving
- Which procurement solution you'll employ
- How many people you'll include in the process
- How long the work will take



Prioritize Which Initiatives Will Advance – and Which Won't

Not every need can be addressed immediately. When limited resources, high expectations and constant trade-offs are involved, prioritization is the only way to balance urgent repairs and maintenance with investments that support long-term community vitality.

Capital planning is not only about fixing what's the most broken, or responding to whichever groups are the loudest, but also about **understanding which actions will deliver maximum value** in terms of finances, community and asset preservation over the long haul.

From there, you can determine which initiatives will advance – and which won't (at least for now). "Determining what to fund is really tricky," says Johnson. "But the even more difficult question is, **'What are we not going to fund?'**"



3

Put Data to Work

In order to plan, prioritize and allocate effectively, you must have the right information at your fingertips. Quality data will help you make smart decisions that lead to the outcomes you – and the community – expect.

This means being deliberate about collecting and validating data that will be useful in **deciding where and when to spend each dollar**. This information will come from a variety of sources (facility condition assessments, maintenance records, utilization data, community surveys and financial records), so it's critical to keep these datasets accurate and complete.

4

Be Led by a Well-Designed Plan

Along with prioritization comes the need for thoughtful and deliberate capital planning to maximize the effectiveness of every tax dollar spent. The more transparent and effective you are at prioritizing and allocating resources, the more likely it is that other stakeholders will recognize this successful effort and support future investments.

A well-designed plan acts as a **decision-making roadmap** that shows you how to make choices that are:

- Defensible
- Responsible
- Practical
- Purposeful
- Aligned with community needs

It also gives you a systematic way to turn significant problems into bite-sized pieces that are easier to address.



5

Ignite Progress With the Right People

Progress often comes down to people. The skills, knowledge, insights and perspectives your team members bring can **positively or negatively influence outcomes**. When you lose experienced staff, valuable time and resources are spent searching for replacements instead of driving pre-defined initiatives forward.

State and local leaders must do everything they can to attract top talent, retain qualified employees and maximize their productivity and engagement.

6

Re-Evaluate Procurement Strategies

Weigh all your options for construction procurement. "Many state and local governments limit themselves to one particular procurement strategy, which also **limits their ability to play in the marketplace and get the best pricing**," says Johnson. "People are so accustomed to the traditional design-bid-build and don't consider other ways that may optimize the construction process."



A New Mindset to Drive Progress

As state and local leaders face the challenge of doing more with less, while navigating the demands of aging infrastructure and shifting community needs amid constrained budgets, meeting these challenges calls for a new mindset.

By prioritizing constituent conversations, putting data to work, following a well-designed plan and bringing the right people to the table, you can confidently serve immediate and future needs.

Ground your decisions in clear, community-focused principles, and your team can chart a path toward sustainable progress and deliver the outcomes your community values most.





GORDIAN[®]

Gordian believes in centering its operations around delivering results for the people responsible for providing safe, functional, and resilient community spaces. Its solutions enable customers to budget, build, and maintain the critical facilities and infrastructure the world relies on. As a leader in state or local government, your mission is clear: create thriving communities where your citizens can live, work, and play safely. This commitment to building and maintaining robust, life-enhancing infrastructure is no easy task, but you are not alone. Gordian is here to help with insights, technology, and expertise that help you deliver for your community.

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