



Georgia Planning Officials Newsletter

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Introduction to Capital Improvement Programs

Excerpted from *Capital Improvement Programs*
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As you know, the comprehensive plan establishes policies for current and future land use throughout a community. However, we often forget that the plan, although an important instrument of public policy, cannot by itself produce change. Zoning and subdivision regulations are the most familiar “tools” used to implement the plan. Another important implementation tool is the capital improvement program, usually referred to as the CIP.

DEFINING THE CIP

The CIP is a management and fiscal planning tool communities can use for financing and constructing needed public improvements. Properly designed, a CIP enables a community to identify its capital needs, rank them by priority, coordinate their scheduling, and determine the best method of paying for them within the community’s fiscal capacity. In most states, localities have the discretion to determine whether they want to prepare a CIP. Usually, the planning commission annually prepares a recommended CIP, and then forwards it to the local governing body for adoption. Baseline requirements include that the CIP be based on the comprehensive plan and that it schedule capital improvements over a specific number of years (commonly three, five, or six). Organizationally, CIPs are fairly straightforward documents. Most feature three sections: The first provides the reader with an overview of the CIP process, and a listing of the benefits a community will derive from the capital improvements. The second section presents financial data. It usually includes charts outlining historical revenue and expenditure data, along with projected revenue, expenditure, and debt service. The third section identifies and describes those projects recommended for funding in the CIP period. It also includes a justification for a project’s inclusion in the CIP (usually noting the project’s relationship to the comprehensive plan) and how the project is to be financed.

CAPITAL VERSUS OPERATING EXPENDITURES

CIPs only deal with a community’s capital expenditures — not its operating expenditures. Cost and frequency are the primary criteria used to classify whether a project is capital or operating in nature. Both criteria should be determined locally and applied simultaneously to determine if an item is a capital project.

Cost. The dollar limit that separates capital from operating projects depends largely on the size of the local budget and on what is considered a “major” expenditure. A commonly used threshold for smaller communities is \$2,500. Expenditures above this amount are considered “capital,” and those below it “operating.” Some larger localities use \$10,000, or even higher dollar amounts, as the breakpoint.

Frequency. A capital project should be non-recurring; that is, it should not occur every year. The Government Finance Officers Association recommends that a capital project should occur no more often than once every three years.

Capital projects that typically fit the cost/frequency criteria cited above include fire engines, bulldozers, landfills, libraries, schools, government buildings, treatment plants, water and sewer lines, and street construction or reconstruction. Architectural and engineering fees, feasibility studies, land appraisal and acquisition costs, and furnishings are included as capital items. “Gray area” projects often involve vehicle and small equipment purchases, as well as repair and remodeling projects.

CIP BENEFITS

By requiring a community to balance its capital needs with available financing, a CIP helps foster a sound and stable financing program over a multi-year period. In addition, using a capital improvement program provides the benefit of:

- Implementing the comprehensive plan’s policies by assuring the provision of new facilities and infrastructure improvements that meet the goals and needs of the community.
- Affording the public an opportunity to provide input in the process (and helping to increase public support for the proposed capital improvements).
- Enabling private businesses and citizens to have some assurance as to when public improvements will be undertaken so they can plan more efficiently and effectively.
- Eliminating poorly planned or unnecessary public improvements.
- Helping a community decide what financing techniques and options are needed to pay for capital projects.

Upcoming Events

Community Planning Academy: Water: An Essential Resource
— Atlanta, Georgia

May 21, 2008

This 1-day workshop sponsored by the Atlanta Regional Commission, provides planning officials, public works engineers and water supply managers with and members with a better understanding about water supply and conservation management plans that work. The program will also explore how financing and planning for future water supply needs are important in community planning.

<http://www.atlantaregional.com>

Southface Sustainable Roundtable — Atlanta, Georgia
June 2, 2008; June 6, 2008

For more information visit <http://www.southface.org>

Georgia Municipal Association Annual Conference
— Savannah, Georgia

June 21-24, 2008

For more information visit <http://www.gmanet.com>