



**Michigan Association of Planning
A Chapter of the American Planning Association**

Excerpted from the MSPO Community Planning Handbook

Capital Improvements Program

Description

A capital improvements program (CIP) is the result of the preparation and updating of a plan listing all new major public facilities to be built, substantially remodeled, or purchased in a community within the foreseeable future. "Capital improvements" (also called "public improvements") are all major physical facility projects over and above annual operating expenses. A CIP establishes a schedule, or program, for each capital improvement project according to its priority in the community. The program also includes cost estimates and the sources of financing for each project. A six-year programming period is the most widely utilized, although the CIP must be updated annually to reflect changing priorities and financial resources in the community.

Any municipality may participate in the CIP process. The planning commission is usually responsible for the preparation of capital improvements programs in coordination with the municipal master plan. Often, a special CIP committee, with representation from the planning commission and legislative body as well as the finance and budget departments, is formed to oversee the process. Planning staff generally coordinate the process, reviewing project requests from individual operating departments and preparing the final document.

Projects to be included in the capital improvements program and their prioritization are established using a formal set of criteria developed by the CIP committee. After the planning commission formally adopts the completed program, it is forwarded to the legislative body for adoption and inclusion in the municipal budgetary process. The CIP is the principal tool for a planning commission to ensure consistency of proposed new public improvements with an adopted master plan.

Planning Considerations

Public investment in capital facilities has a significant impact on the size, location, and timing of future development projects in the community. For this reason, the capital improvements program must be developed with a clear understanding of community objectives regarding growth and land use as outlined in the comprehensive plan. Planning enabling legislation stipulates that in all municipalities (cities, villages, townships, and counties) with an adopted master plan, the planning commission must review all proposed public improvements for consistency with the master plan before construction can begin. This assures that large scale public expenditures are coordinated with long-term planning goals. The CIP bridges the gap that otherwise exists between the comprehensive plan and the actual construction of public facilities. It is the most effective vehicle for approving new public improvements. CIP activities must also be coordinated with similar activities in neighboring and overlapping jurisdictions.

Maximum benefit from the CIP process is achieved when municipalities include a broad range of public facilities. Facilities are eligible for inclusion in the capital improvements program if they are:

- Large in size.
- Proportionally large in cost.
- Fixed in nature.
- Of long life (10-30 years).
- Involve expenditures of a nonrecurring nature.
- Provide governmental facilities for public service.
- Substantially add to the value of the fixed assets of government.

The CIP process varies with the size and structure of the municipality, but generally includes the following six steps:

- Prepare an inventory of all potential projects along with cost estimates and an initial evaluation of their relative priority.
- Review each project in light of the community's comprehensive plan, development policies, and the objectives and goals of the community. Allow proposing agencies the change to present their arguments for why any given project should be included in the program. Objective selection and prioritization criteria should be used during this step.
- Investigate the financial resources of the community for capital expenditures during the programming period (usually six years).
- Develop a project schedule for the entire programming period based on project priority and the availability of the necessary financial resources.
- Select those projects to be started in the coming year. These projects become next year's annual capital budget while the projects to be completed in the remaining five years become the long-term capital improvements program.

- After public hearing and some form of public review, the capital budget and capital improvement program is either adopted, rejected, or amended by the planning commission and then by the legislative body of the municipality.

The capital improvements program must also be updated annually. Each year the planning commission must review the next year's proposed capital projects and advise the sponsoring agency on whether the project still makes sense in light of the community's current planning objectives. The planning commission, generally with staff assistance, also reexamines the entire capital improvements program; adds, deletes, or revises capital projects, their costs, funding sources, and timing; and prepares an updated program with a new sixth year. The governing body should review the updated program and adopt its new first year as the annual capital budget. The governing body has the final authority over what is or is not included in the CIP.

Advantages

- Ensures consistency of new public facilities with the master plan.
- Ensures that plans for capital facilities are indeed implemented.
- Allows proposed improvements to be scrutinized systematically, and tested against funding and land use policies.
- Improves the scheduling of public improvements that take more than a year to construct.
- Provides an opportunity to buy land before costs rise.
- Provides a system for long-range financial planning and management.
- Helps stabilize tax rates by intelligent debt management.
- Helps avoid mismanagement, such as paving a street one year and tearing it up the next year to build a sewer or repair a drain.
- Provides opportunities for citizens and public interest groups to participate in local decision-making.
- Contributes to better overall management of municipal and regional affairs.
- Enhances the opportunities to participate in federal and state grant-in-aid programs.

Disadvantages

- Politicians sometimes object to committing to infrastructure improvements more than one year in advance because it reduces their decision flexibility.

Limitations

- Unless coordinated with adjoining jurisdictions and county and state agencies, the CIP will only affect future infrastructure improvements in the community rather than area-wise.