

CAPITAL IMPROVEMENTS PROGRAM

CIP - Budgeting Device

Along with land use control ordinances, a formal capital improvements program (CIP) is a primary tool for the implementation of a comprehensive plan. Although not legally binding, the CIP includes and establishes a time frame for the long-term capital expenditures planned by a municipality. A capital expenditure may be defined as an outlay of municipal funds to purchase, improve or construct a piece of equipment or a facility that is expected to provide service over a long period of time. Typically, a capital expenditure is relatively large when compared to normal operating expenditures included in the budget. Examples include, the construction of or major improvements to buildings, land acquisition, recreation facilities, highway improvements, and vehicle purchases. In short, the CIP is a budgeting device to guide the allocation of non-operating funds, and to avoid the unexpected mid-year expenditure of large sums.

Informal v. Formal

Many local officials think in terms of a capital improvements program in the more informal terms of simply setting aside funds for anticipated large expenditures. Council members and supervisors know what they need, how much it costs, and if the municipality can afford it. While this is certainly one technique in planning for community facilities and services, a more formal approach with an adopted, written CIP has certain advantages. *The Practice of Local Government Planning*, published by the International City Management Association, identifies the following benefits of an effective CIP:

- Ensures that plans for community facilities are accomplished.
- Provides an adopted plan that continues even if local officials change.

<u>SAMPLE FUND PROJECTION AND CAPITAL BUDGET</u>						
GENERAL FUND PROJECTION	YEAR					
	2005	2006	2007	2008	2009	2010
Projected general fund revenue	\$200,000	\$210,000	\$225,000	\$250,000	\$260,000	\$275,000
Projected general fund expenditures	\$160,000	\$168,000	\$175,000	\$205,000	\$215,000	\$250,000
Projected Net Funds Available	\$40,000	\$42,000	\$50,000	\$45,000	\$45,000	\$25,000
CAPITAL BUDGET						
Township Park - land acquisition, engineering, construction, and debt service. \$300,000 over 20 years beginning in 2006	\$0	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Road Improvement - right-of-way acquisition, engineering, construction, and debt service. \$200,000 over 10 years beginning in 2008.	\$0	\$0	\$0	\$20,000	\$20,000	\$20,000
Total New Capital Expenditures	\$0	\$15,000	\$15,000	\$35,000	\$35,000	\$35,000
Net New Financing Required* <u>Equals</u> Total New Capital Expenditures <u>Minus</u> Projected Net Funds Available	(\$40,000)	(\$27,000)	(\$35,000)	(\$10,000)	(\$10,000)	\$10,000
* Parentheses indicate available funds exceed new capital expenditures.						

- Allows improvement proposals to be evaluated against established policies and the comprehensive plan.
- Enables the scheduling of improvements requiring more than one year to construct.
- Provides the opportunity for the purchase of needed land before costs increase.
- Encourages long range financial planning and management.
- Provides for sensible scheduling of improvements.
- Offers the opportunity for public participation in decision making.
- Leads to improved overall municipal management.

Prioritization of Municipal Needs

In developing a CIP a municipality must prioritize its capital needs based on the planning process findings, and the CIP establishes commitment for public investment in accord with the specific goals and objectives included in the comprehensive plan. *The Practice of Local Government Planning* suggests one method is for a community to divide its needs into

four categories: essential, desirable, acceptable, and deferrable. In prioritizing needs, municipal officials must also consider the revenue side of the equation. Needed capital expenditure can only be made by identifying anticipated revenues in terms of other operating expenditures. In other words, the costs of scheduled capital expenditures must be evaluated in terms of acquiring the necessary revenue to fund the improvements. In any case, the CIP is, by necessity, an on-going process which must be reevaluated annually, with a planning period of six years being typical.

A variety of CIP techniques are available and the process can be very complex in larger municipalities. A more simplified approach is certainly more appropriate for the NTC municipalities where capital needs are more manageable. A sample is provided in the *Sample Fund Projection and Capital Budget* on the previous page. In any case, the costs of operation and maintenance of new facilities and equipment must also be considered for inclusion in annual budgets. The principal anticipated direct capital expenditures for the twelve NTC municipalities identified by this *Plan* are outlined below to provide the basis for formal capital improvements programming in terms of essential, desirable, and deferrable.

APOLACON TOWNSHIP		
NEEDS -- EQUIPMENT, ROADS, BRIDGES, FACILITIES 1. road improvements 2. develop walking trail and park on 21-acre Township parcel		
ESSENTIAL	DESIRABLE	DEFERRABLE
#’s	#’s	#’s

BRIDGEWATER TOWNSHIP		
NEEDS -- EQUIPMENT, ROADS, BRIDGES, FACILITIES 1. road improvements 2. purchase additional land for Township facilities 3. purchase loader, 2004, \$30,000 4. purchase truck, 2005, \$40,000		
ESSENTIAL	DESIRABLE	DEFERRABLE
#'s	#'s	#'s

CHOCONUT TOWNSHIP		
NEEDS -- EQUIPMENT, ROADS, BRIDGES, FACILITIES 1. road improvements 2. purchase backhoe/loader, approximately \$20,000, timing to be determined 3. purchase dump truck with plow, approximately \$20,000, timing to be determined 4. purchase grader, approximately \$20,000, timing to be determined		
ESSENTIAL	DESIRABLE	DEFERRABLE
#'s	#'s	#'s

FOREST LAKE TOWNSHIP		
NEEDS -- EQUIPMENT, ROADS, BRIDGES, FACILITIES 1. road improvements 2. purchase 1 ton 4x4 dump with plow/cinder, 2004, approximately \$30,000 3. purchase 35,000 GVW dump with plow/cinder, 2006, approximately \$65,000 4. purchase 35,000 GVW dump with plow/cinder, 2008, approximately \$65,000 5. continue to enhance park, install playground equipment		
ESSENTIAL	DESIRABLE	DEFERRABLE
#'s	#'s	#'s

FRANKLIN TOWNSHIP		
NEEDS -- EQUIPMENT, ROADS, BRIDGES, FACILITIES 1. road improvements 2. purchase used vibratory roller, \$65,000		
ESSENTIAL	DESIRABLE	DEFERRABLE
#'s	#'s	#'s

FRIENDSVILLE BOROUGH		
NEEDS -- EQUIPMENT, ROADS, BRIDGES, FACILITIES 1. road improvements		
ESSENTIAL	DESIRABLE	DEFERRABLE
#'s	#'s	#'s

JESSUP TOWNSHIP		
NEEDS -- EQUIPMENT, ROADS, BRIDGES, FACILITIES 1. road improvements		
ESSENTIAL	DESIRABLE	DEFERRABLE
#'s	#'s	#'s

LIBERTY TOWNSHIP		
NEEDS -- EQUIPMENT, ROADS, BRIDGES, FACILITIES 1. road improvements 2. 2 ton roller, 2004, \$90,000 3. office and meeting room, 2005+, \$20,000 4. property for equipment and material storage		
ESSENTIAL	DESIRABLE	DEFERRABLE
#’s	#’s	#’s

LITTLE MEADOWS BOROUGH		
NEEDS -- EQUIPMENT, ROADS, BRIDGES, FACILITIES 1. road improvements		
ESSENTIAL	DESIRABLE	DEFERRABLE
#’s	#’s	#’s

MIDDLETOWN TOWNSHIP		
NEEDS -- EQUIPMENT, ROADS, BRIDGES, FACILITIES 1. road improvements 2. upgrade all equipment -- dump trucks, roller, grader 3. cinder shed 4. tank for dust control material 5. enclose pavilion building 6. update and improve Township building		
ESSENTIAL	DESIRABLE	DEFERRABLE
1. road improvements 2. upgrade all equipment 5. enclose pavilion building	3. cinder shed 4. tank for dust control material	6. update and improve Township building

RUSH TOWNSHIP		
NEEDS -- EQUIPMENT, ROADS, BRIDGES, FACILITIES 1. road improvements 2. brush cutter, \$15,000 with trade		
ESSENTIAL	DESIRABLE	DEFERRABLE
#'s	#'s	#'s

SILVER LAKE TOWNSHIP		
NEEDS -- EQUIPMENT, ROADS, BRIDGES, FACILITIES 1. road improvements 2. salt storage shed, 2004 3. replace aging equipment		
ESSENTIAL	DESIRABLE	DEFERRABLE
#'s	#'s	#'s