
CAPITAL IMPROVEMENT PROGRAM

A **Capital Improvement Program (CIP)** and budget involves the formation of a long-term plan for capital expenditures within the Township. Capital expenditures include the purchase of buildings, land, major equipment, and other commodities which are of significant value and have a useful life of several years. Center Township has, in the past, planned for large expenditures, but only on an “as-needed” or year-to-year basis.

Through the development of a **CIP**, the Township can produce a financial planning program which can focus on the necessary finances, and possible financing, required for each calendar year, for each capital item to be acquired. Based on these details, summary reports of capital activity and required financial information can be prepared for inclusion in the annual municipal budget.

The Capital Improvement budget is enacted annually, based on the **CIP**. The budget can include specific appropriations and/or the authorization of bond issues in order to fund the listed improvements. The budget may vary from the amount programmed. In some years, financial constraints may restrict the availability of the total amount programmed, while in other years, a surplus may enable the Township to begin projects that were programmed for future years. No matter what, however, the **CIP** must be updated after the enactment of the annual budget in order to make adjustments in future years, as necessary, and to add a year of programming which replaces the current year. It is also possible for a capital improvement item to be phased over a number of years, for example, the extension of sewer or water lines.

The initial step in the creation of a **CIP** budget is to identify the administrative responsibilities and policy framework as to who will be responsible for creating the program, and the guidelines used to form it. The next step is the preparation of an inventory of existing facilities, improvements and equipment. This will assist in identifying a time frame for the replacement, renewal, expansion or removal of existing facilities, improvements or equipment.

After identifying existing projects, the next major step is the performance of a Fiscal Audit of the Township in order to determine the financial capacity for capital expenditures as well as the development of a fiscal programming procedure which

consists of the selection and scheduling of funding sources for these types of expenditures. The most important issue to be determined by the Fiscal Audit, is the determination of the level of expenditures that the Township can afford over the next several years and the impact those expenditures will have on the property taxes and other Township income.

Once the fiscal information has been analyzed and all concerns addressed, the formation of the specific program, with the identification of initial projects, is next. Project requests should be submitted from **each** department, and **must** include a statement of need, justification of the project, the estimated cost of the project and its proposed scheduling (priority ranking) during the CIP time frame (normally 6 years).

Each project request is then checked by the administrator of the **CIP** for completeness and accuracy, and corrected as necessary. In evaluating proposed projects, emphasis should be placed on relative need and cost. Evaluation criteria can include:

- Achievement of existing plans and work elements
- General benefits
- Project cost and tax rate impact
- Acceptability to voters
- Legal requirements

Upon formation of the program and budget, the Board of Supervisors shall schedule a public hearing and then adopt the **CIP** budget (this can be completed as part of the annual budget process). It is also the responsibility of the Township Board of Supervisors or the administrator, to monitor the program and revise it as necessary, based on the availability of funding.

Funding sources which may be available to assist the Township in completing some of the projects identified in the Capital Improvement Program can be found at all levels of government. A listing of available programs, a general description and the administering agency is included in **Appendix B**.