

Capital Improvement Programs

Packet synopsis

Capital improvement programs should be an essential part of a community's annual budgeting program and process. When a city, town or county is working up its operating budget to establish its property tax levy for its forthcoming fiscal year, it should also look at its current and future capital needs expenditures.

For a stable community that anticipates no physical growth, an in-place infrastructure must still be maintained and capital items be replaced as they come to the end of their useful lives. Capital budgeting is a must. The alternative to "spend down" its infrastructure can result in deterioration and poor service.

Citizens in growing communities want and expect improvements to the extension of roads and sewer and water systems, additional fire trucks and police cars, schools, police stations and firehouses, parks, recreational facilities, libraries and the other physical facilities. Proper capital budgeting as well as maintaining its present infrastructure investment requires careful planning.

These materials on **Capital improvement programs**, also called **capital investment programs** have been selected because they help define and give good direction to the elected official and community staff personnel without or with only limited prior experience or expertise in long-range budgeting.

Capital Budget and Investment Planning: Topic 10.6: The Capital Budget, World Bank Institute, Washington, DC. This is a good brief description of the **capital improvement/investment** process and the steps necessary to develop and implement a **capital budget**. Its central point is, "The capital budget process is not only a management tool for guide the expenditure of public resources over an expanded period of time, *but also represents a commitment by the local government to provide its community with the desired and required level of service.*" It also makes a very important and often overlooked point, namely that capital investments have to be operated and maintained and this must be planned for as well. This item was down-loaded from <http://www.worldbank.org>

Capital Investment Planning, Vincent J. Byrne, United States Agency for International Development, Washington, DC, June 13, 2002. A PowerPoint presentation that gives concise, understandable definitions of the words or phrases "plan, capital investment and capital investment plan". It identifies the basic conditions for successful planning, the impediments to successful planning, makes the important point that it is but "one component of a strategic planning process", i.e. the community comprehensive plan. It presents a flow chart for the process plus identifies the basic elements of a plan and financing considerations/options.

Tools for More Effective Local Government: Capital Budgeting, Georgia Dept. of Community Affairs, Atlanta, December 1993. A brief, basic and clear "how to" for putting

together a **capital improvements program**. It appears to be written for the smaller community with limited resources and limited experience.

“Capital Improvement Programs: Part I, Part II and Part III: The Planning Commissioner at Work”, Michael Chandler, *Planning Commissioners Journal*, Burlington, Number 23 Winter 1996-97, Number 26 Spring 1997, Number 27 Summer 1997, A three-part series defines what a **capital improvements program/capital investment plan** is, explains the differences between capital and operating budgets, presents CIP benefits, a defined process for doing a CIP and implementing the same. The third part covers the topics of fiscal analysis and CIP review.

“Infrastructure Planning”, *Model Sustainable Development Ordinances*, Minnesota Planning. A model ordinance written for use by Minnesota communities: cities, townships and counties for the specific topic of adequate public infrastructure. This is a *concurrency ordinance*, namely its purpose is to require that the necessary supporting infrastructure be in place or in process for a proposed development or building permit to be granted. This sample ordinance is designed for communities to tailor it to their specific circumstances.

INTERLIBRARY LOANS MATERIALS

The following on **capital improvement programs/capital investment programs** can be borrowed via MnLINK.

The Small Town Planning Handbook, Chapter 18, The Capital improvements Program, Thomas L. Daniels, John W. Keller and Mark B. Lapping, PLANNERS PRESS, Washington, DC, 1988.

Capital Improvements Programming Handbook, Southern New Hampshire Planning Commission, Manchester, 1994.

Developing a Capital Improvements Program, Training Kit, Publication No. 224-87-6359, Metropolitan Council of the Twin Cities Area, St. Paul, 1987.

Capital Improvements Programming: A Guide for Small Cities, Towns, Boroughs, and Counties, National League of Cities, Washington, DC, 1968.

Planning for Capital Improvements, Gregory Vaday, Management Information Service, Washington, DC, 1993.

LEGAL NOTES

A number of Minnesota Statutes apply to **capital improvement programs**, the term generally used in state statutes. These are:

Minnesota Statutes Chapter 103B Water Planning and Project Implementation

Applies to all Minnesota counties, cities, townships and to the seven county metropolitan area and its LGUs, specifically via its MS § 103B.201 - Metropolitan Water Management Program Purpose. Except for the seven county metropolitan area, primary authority and responsibility for the implementation of Chapter 103B is placed with the counties.

MS § 103B.205, Definitions, subd. 3 define the criteria a capital improvement program must meet.

MS § 103B.211 authorizes watershed management across LGU jurisdictional boundaries via joint management organizations, and its subd. 1 (c) requires a two-thirds vote for implementing capital improvement programs.

MS § 103B.231, Watershed Plans, subd. 6. Contents (a) The plan shall:

- (8) sets forth the requirement of an implementation program consistent with the management plan, which includes a capital improvement program and standards and schedules for amending the comprehensive plans and official controls of local government units in the watershed to bring about conformance with the watershed plan;
- (9) requires setting up procedures and timelines for amending the plan.

(b) The board shall adopt rules to establish standards and requirements for amendments to watershed plans. The rules must include:

- (3) standards for the content of capital improvement programs to implement watershed plans, including a requirement that capital improvement programs identify structural and nonstructural alternatives that would lessen capital expenditures

Subd. 7. Review of the draft plan and its section (c) establishes the legal criteria for public hearings and adoption by watershed management organizations including its capital improvement programs.

MS § 103B.235, Local Water Management Plans - authorizes Local Governmental Units to adopt and implement capital improvement programs and official controls to support and comply with the county or watershed adopted water plan.

Minnesota Statutes Chapter 373 Counties Powers, Duties, Privileges

MS § 373.01 Powers - conveys to counties the authority to adopt capital improvement programs.

MS § 371.40 - Capital Improvement Bonds - defines a capital improvement, the election requirements to authorize bonding for the same, defines a capital improvement plan and the criteria for the same, the necessary procedures for developing and adopting the plan, and the limitations on county bonding capacity.

Minnesota Statutes Chapter 462 Housing, Redevelopment, Planning, Zoning is the legislative authority for nonmetro cities (and townships) to plan and zone.

MS § 462.352 - Definitions and its Subdivision 1. Application, says, “For the purposes of sections [462.351](#) to [462.364](#) the terms defined in this section have the meanings given them.” Its Subd. 9 Capital Improvements Program defines such.

MS § 462.356 – Procedures to Effect Plan Generally – outlines how a community is to or may implement its comprehensive land use plan and that this can include a capital improvements program.

Minnesota statutes Chapter 469 Economic Development conveys to counties and cities specific powers for economic development and redevelopment that includes establishing capital improvement plans and programs.

MS § 469.155 – Powers – includes capital improvement plans and programs as part of the bundle of authorities conveyed to cities and counties for economic development and redevelopment.

Minnesota Statutes Chapter 471 Municipal Rights, Powers, Duties identifies specific rights, requirements of and authorities granted by the Legislature to local governmental units (LGUs).

MS § 471.57 – Public Works Reserve Fund – authorizes setting up capital reserve funds for specific capital improvements and establishes the rules for expending the same. MS § 471.572 – Infrastructure Replacement Reserve Fund – authorizes such funds and regulates how they may be expended with specific reference to capital improvements.

Minnesota Statutes Chapter 473 Metropolitan Government and specifically its MS § 473.858 – Comprehensive Plans, Local Government Units and its MS § 473.859 – Comprehensive Plan Content control LGUs in the seven county metropolitan area as regards their capital improvement programs.

The **Local Planning Assistance Center at the Department of Administration** helps local governments with planning efforts, including comprehensive planning, zoning, hazard mitigation planning, GIS applications and development issues.

Upon request, this document will be made available in an alternate format, such as Braille, large print or audiotape. For TTY, contact Minnesota Relay Service at 800-627-3529 and ask for the Department of Administration.

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