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Center for Continuing Education & Hotel
Carl Vinson Institute of Government

GOVERNMENTAL FINANCE ONLINE COURSE: Capital Improvement Program (CIP)

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Capital Improvement Program (CIP) — Learning Objectives

Lesson 1 — CIP Overview

The Capital Improvement Program (CIP) is one of the most important planning processes for a local government. The CIP process forces a local government to consider long-term service needs. If done correctly, the CIP process helps a government identify major projects that are anticipated over a period of time, the associated costs, and the funding options for each project.

Learning Objectives:

- Recall the definition of a capital improvement plan
- Describe state and local laws related to CIP
- Distinguish between different types of capital

Lesson 2 — CIP and the Local Government Budget System

The Capital Improvement Program (CIP) acts in conjunction with the local government operating budget. Although the CIP is generally a separate document, the CIP process cannot happen separately from the operating budget process. The same policies that shape the operating budget must be considered in the development of the CIP.

Learning Objectives:

- Explain how the CIP relates to the operating budget
- Recall the two most important references in the development of the CIP — the strategic plan and the budget policy — as well as associated components

Lesson 3 — The CIP Process

There are many aspects to the Capital Improvement Program (CIP) process, including determining the guidelines for CIP consideration, referencing existing plans, and assessing current needs. Each year, the CIP must be reviewed in the context of the local government's needs. A standard procedure is required that includes clear deadlines and tasks for executing the CIP process.

Learning Objectives:

- Describe the steps in a successful CIP process
- Recognize vision statements for future service delivery
- Explain the significance of the comprehensive plan to the CIP
- Restate the purpose of a capital needs assessment

Lesson 4 — Capital Improvement Requests

After planning documents have been reviewed and the capital needs assessment has been completed, it is time to consider capital improvements. Capital improvements are the new buildings, equipment, and infrastructure that are required in order to



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provide the services expected of a local government. The results of the capital needs assessment combined with input from departments, the public, and decision-makers, help identify future needs.

Learning Objectives:

- List the components of a department capital improvement request, including the project description, purpose, and history; funding requirement; and operating impact
- Recall the reasons for public input
- Summarize the role of decision-makers

Lesson 5 — Capital Improvements in the Budget

At this point in the CIP process, the capital needs assessment has been completed. Departments have evaluated the results of the needs assessment and determined whether capital improvements are warranted. A list of requested replacements and improvements has been developed. The CIP coordinator is now responsible for managing the evaluation of the replacements and improvements.

Learning Objectives:

- Identify how capital improvements are selected
- Recall the prioritization processes
- List the elements to include in the budget document
- Summarize the CIP adoption process

Lesson 6 — Paying for Capital Improvements

All local governments are familiar with the challenge of funding capital improvements. Many options are available for funding capital improvements, including property taxes, impact fees, and sales taxes. There are advantages and disadvantages to each funding option. Inevitably, the availability of an appropriate funding source affects whether capital improvements and replacements will be included in the CIP budget.

Learning Objectives:

- Define funding sources for CIP
- Identify appropriate funding sources

Lesson 7 — Capital Improvements after Budget Adoption

After the capital budget has been adopted, the improvements or replacements are no longer proposals. The projects now become reality. With the activity turning from the evaluation and selection of a project to its execution, there needs to be a shift from the conceptual stage to actual progress. While the project manager coordinates the project plan for the capital improvement, the CIP coordinator and/or the designated budget officer needs to be prepared to work closely with the project manager to monitor the budget.

Learning Objectives:

- List the elements involved in preparing for capital improvements
- Identify when budget amendments are required
- Recall how to manage CIP balances

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