A Capital Improvement Plan (or Program) (CIP) is a list of capital projects (public buildings, infrastructure or large equipment), along with the anticipated cost of those projects, scheduled over six or more years. The type of funding (general fund, grant, revolving, TIF) is also identified.

At a minimum, a CIP helps a local unit of government plan for its near-term public infrastructure needs. The process involves first identifying the community’s needs, then, given the funding available, how to prioritize those needs, and finally, laying them out in a schedule.

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A Capital Improvement refers to a project or equipment that is significant in size, proportionately significant in cost, fixed, expected to last 10-30 years, not a recurring expense, and substantially adds to the value of the government’s fixed assets.

The process of developing a CIP is a necessary step in an organized effort to strengthen the quality of public facilities and services; provide a framework for the realization of community goals and objectives; and provide a sound basis on which to build a healthy and vibrant community.

Public investment in capital infrastructure projects like water and
sewer lines or roads has a significant impact on the size, location, and timing of future development in a community. For this reason, a CIP is more than just an exercise in fiscal responsibility. Along with adoption and implementation of a zoning ordinance, a CIP is an essential tool for implementing a community’s master plan—its vision for the future. The planning and development of the social, physical, and economic well-being of the community are tied not only to the development and implementation of its zoning ordinance, but also its CIP.

The process of developing a CIP allows a community to thoughtfully and proactively (rather than reactively) consider the projects it wants and needs to do. Rather than simply waiting for infrastructure or equipment to break or deteriorate, a CIP process allows decision makers the time to consider not only what equipment is

**What the Law Says:**

**The Michigan Planning Enabling Act**

Capital improvements program of public structures and improvements; preparation; basis.

Sec. 65. (1) To further the desirable future development of the local unit of government under the master plan, a planning commission, after adoption of a master plan, shall annually prepare a capital improvements program of public structures and improvements, unless the planning commission is exempted from this requirement by charter or otherwise. If the planning commission is exempted, the legislative body either shall prepare and adopt a capital improvements program, separate from or as a part of the annual budget, or shall delegate the preparation of the capital improvements program to the chief elected official or a nonelected administrative official, subject to final approval by the legislative body.

The capital improvements program shall show those public structures and improvements, in the general order of their priority, that in the commission’s judgment will be needed or desirable and can be undertaken within the ensuing 6-year period. The capital improvements program shall be based upon the requirements of the local unit of government for all types of public structures and improvements. Consequently, each agency or department of the local unit of government with authority for public structures or improvements shall upon request furnish the planning commission with lists, plans, and estimates of time and cost of those public structures and improvements.

(2) Any township may prepare and adopt a capital improvement program. However, subsection (1) is only mandatory for a township if the township, alone or jointly with 1 or more other local units of government, owns or operates a water supply or sewage disposal system.

**RESOURCES:**

To meet the long term, collaborative, fiscal planning requirements outlined in the Michigan Planning Enabling Act, the Michigan Economic Development Corporation developed the *Capital Improvements Plan Guide* as a tool for Michigan communities looking to establish a capital improvements plan.

The *RRC Capital Improvements Plan Guide* recommends methods that have been successful in other communities. However, every community has different needs and capacities, so your CIP process and document should be tailored to fit your community’s requirements.

The Michigan Association of Planning offers a CIP workshop that can be brought to your community.
aging or nearing the end of its useful life, but also the community’s preferences. Now is the time to research the cost. While this can be a disheartening process, because there are always more needs and wants than there is money available, it’s strategic and even more necessary when funds are finite. A CIP is the most effective vehicle to anticipate and approve new public improvements.

Consider your own household budget. There is a certain amount of income coming in. There are “needs” for the family as well as “wants”. Depending upon income and the particular cost of those wants and needs, often purchases must wait. For instance, the vacation must be postponed because the roof needs to be replaced. Just as setting up a budget and saving for that vacation of a lifetime takes planning for your family, the CIP process is similar for a community.

Even if your community has very limited funds and owns few pieces of equipment or property or infrastructure, the process of determining priorities, needs, available resources, scheduling and then implementing them over the next six years is imperative to make sound decisions that will keep your capital and operational expenses in check.

This tear sheet was developed by the Michigan Association of Planning (MAP) for the Michigan Economic Development Corporation (MEDC). The Michigan Association of Planning is a 501 c 3 organization, dedicated to promoting sound community planning that benefits the residents of Michigan. MAP was established in 1945 to achieve a desired quality of life through comprehensive community planning that includes opportunities for a variety of lifestyles and housing, employment, commercial activities, and cultural and recreational amenities.