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CIP Steps 11-16

Dear Reader:

The following document was created from the CTAS website (ctas.tennessee.edu). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

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Reference Number: CTAS-1708

Step Eleven—Financial Analysis and Impact

After developing a capital improvements plan or receiving a request for capital improvements, the CIP committee and local legislative body must determine how much the local government can afford and how it will pay for the improvement. This section of your plan should discuss the logical steps in analyzing current debt requirements and funding sources. CTAS's Debt Management Workshop class discusses issues related to the county's current operating debt payments and projects future payments in a multi-year budget plan.

Public hearings and news articles seem to be the most used means of communicating with the public, but regardless of the means, the information should be correct and complete. Credibility should never be compromised by intentionally misleading the public or providing inaccurate information.

Step Twelve—CIP Committee's Report and Recommendations to Legislative Body

When all the input and documents from department heads, staff, and public have been analyzed, a report and recommendations should be given to the legislative body.

Step Thirteen—Legislative Body Consideration and Adoption

The legislative body's task is to weigh the necessity of the projects with the availability of funds and the amount of tax increase, if needed. After serious deliberations and consideration of all the facts, the adoption process of the legislative body involves three phases:

Phase One. CIP Document—The first phase is the adoption of the CIP multi-year planning document, with tentative approval of project scheduling in the second year and thereafter. It must be clear to the legislative body that the CIP document is a planning document with budget authorization and funding included in the second and third phases.

Phase Two. Capital Budget and Financing—In this phase, a capital budget is approved for various capital project funds for different departments. This authorization is for new projects to begin in the current or ensuing fiscal year, and the budget format would be similar to an operating budget except using different account numbers. Once this budget is approved, the department may begin bids and signing contracts for the projects authorized by the capital budget. A second part of this phase is to authorize funding either by issuing capital outlay notes and/or bonds. Once the capital outlay notes or bonds are approved, the local government may issue the notes or bonds immediately using a financial advisor, in most cases, or the local government may borrow temporary cash by either issuing revenue (tax) anticipation notes or bond anticipation notes. The borrowing of temporary cash is similar to construction loans used by private businesses.

Phase Three. Capital Improvement Included in Operating Budgets—In-lieu of authorizing separate capital budgets using capital project funds, the legislative body may approve the purchase of capital improvements in the operating budget for the specific department. Usually this is done when the amount of expenditure is small, and/or when funding is from accumulated funds or excess revenues in the operating budget. In some cases when the expenditure is small, capital outlay notes will be issued and the proceeds placed in the operating budget. If the expenditure is authorized in an operating budget, then the department must wait until the operating budget is approved, or a specific resolution for the expenditure is approved by the legislative body.

Step Fourteen—CIP Financial Plan

Capital funding sources include

Pay-As-You-Go

- Annual Revenue – Local Taxes
- Reserves - one time revenue as one time transfer
- Earmarked Revenue
- Special Assessments
- Impact Fees
- Grants/Donations

Debt

- General Obligation Bonds
- CON – Capital Outlay Notes

- Revenue Bonds
- Capital Leases
- Special Obligation Bonds
- Loan Pools

For additional information, see the Capital Funding Sources and Debt Financing page in e-Li.

Step Fifteen—Implementation, Monitoring, Follow-up and Final Inspection

This may be the most important step since it determines the quality of the project which in some cases could last fifty years or longer. The success of this step and project lies mainly with the department head or official; however, it should be a joint effort of the legislative body, CIP Committee, and the department head. The general areas of concern in this step, which determine the success and quality if properly and extensively managed, are the following:

1. Complete and clear specifications
2. Proper bidding and awarding of the contract
3. Complete contract with surety bond requirements
4. Constant monitoring of specifications and contract with inspection of projects
5. Monthly reporting of project progress and financial condition
6. Encumbrance (obligation) accounting, for the contract and change orders
7. Final inspection and approval by the department head, CIP Committee, and other officials responsible for the operation

Step Sixteen—Use the Asset

Finally, after all is done, the asset is ready for use.

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