

## **Capital Improvement Program Process and Assumptions**

The Capital Improvement Program (CIP) for the City of Modesto recognizes and plans for the large investments required for maintaining or expanding public facilities and infrastructure.

### **Capital Improvement Project - Descriptions**

- Capital asset - new or rehabilitated physical asset, non-recurring, long life, and generally expensive
- Capital Project - undertaking to acquire or build a capital asset
- Capital Improvement Program - multi-year plan identifying projects to be funded during the planning period (10 Years)

The CIP is a formal mechanism for decision making to develop agreement on policies, projects, funding sources, community needs and priorities. The CIP links to long-range capital plans to the Urban Area General Plan, Specific Plans, Capital Facility Fees Program, and other Joint Powers Agreements. The CIP is also a financial management tool for forecasting and a reporting document. The advantage of Capital programming is that it focuses attention on community goals, needs and financial capacity. The CIP builds public consensus for projects and improves community awareness.

### **Capital Improvement Project - Definition**

- Identifiable project, with a beginning and end
- Cost should be \$100,000 or more, however, in some cases it may be less
- Usually multiyear but non-recurring
- Project budget should balance (Revenues equal Expenditures)
- Long service life

We have made several changes in the CIP. We have differentiated “capital” from “maintenance” for improved ability to prioritize and monitor “capital” projects. This will also improve project reporting and our ability to examine the cost maintenance and deferred maintenance.

CIP development and monitoring is an ongoing process in which department managers, Council, or citizens request capital improvements. These requests are evaluated and prioritized by each program area. Each area of the CIP has a profile for evaluating a project and ranking it as to its relative priority. The project is also evaluated for availability of funding and coordinated between City Departments and other impacted agencies. If a project is selected for funding it is included in this document.

### **Revenue Assumptions**

The revenue projections for developing the CIP are based on the latest economic and demographic information available, recent revenue trends, and our projection models. Our projection modeling is most important in projecting development related revenue sources. Depending on the area of analysis, population growth is projected at 2.57% for next year, which is approximately the same growth experienced over the past two years. Our revenue projections focus on the large dollar revenue sources. In developing our revenue projections, staff also considers the seasonal variations and recent activity in the building and construction field. Revenue projection information is monitored monthly, and adjusted on a quarterly and annual basis. Revenue projections also include the latest information on grants from the Federal and State sources.