



County Technical Assistance Service

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Reasons for a Capital Improvements Plan (CIP)

Dear Reader:

The following document was created from the CTAS electronic library known as e-Li. This online library is maintained daily 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 e-Li material.

Sincerely,

The University of Tennessee
County Technical Assistance Service
226 Capitol Blvd. Suite 400
Nashville, TN. 37219
615-532-3555 phone
615-532-3699 fax
ctas@tennessee.edu
www.ctas.tennessee.edu

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Reasons for a Capital Improvements Plan (CIP)

Reference Number: CTAS-1702

One of the primary reasons for a CIP is that the stakes are high because the projects are usually very large and very expensive. A second reason is that decisions made will impact the county financially for years. A third reason is that spending will vary from year to year because needs vary from year to year. A fourth reason is that the asset service life is long and should meet the citizens' needs for the life expectancy of the asset. A secondary reason for a CIP is that the implementation of the projects will take time because of potential financing and purchasing or construction time.

In summary, reasons for a CIP include:

1. Projects are large and expensive
2. Debt financing is often used and extends for years
3. Spending varies from year to year
4. Decisions have impact for years
5. Implementation takes time and happens in stages

As of 2008, 91 of the 95 counties in Tennessee were in debt. This indebtedness is the result of capital improvements made within those counties. As of 2008, at least sixteen counties have a specific revenue source that annually funds a capital improvement fund(s). This is an increase of seven additional counties since 2006. Both of these statistics confirm that capital projects will continue to be a part of the annual operations of counties and should be considered in the overall planning process of a county's finances.

It is highly recommended that a county develop a Capital Improvement Plan.

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