

Capital Improvement Plan Project Evaluation Guidelines

The following guidelines determine what is a CIP project:

Relatively high monetary value (at least \$10,000)

Long life (at least five years)

Results in creation of a fixed asset, or the revitalization of a fixed asset

Included within the above definition of a Capital project are the following items:

- ❑ Construction of new City facilities
- ❑ Remodeling or expansion of existing facilities
- ❑ Purchase, improvement and development of land
- ❑ Operating equipment and machinery for new or expanded facilities
- ❑ Planning and engineering costs related to specific capital improvements
- ❑ Vehicles and other large equipment
- ❑ Street construction, reconstruction, resurfacing or renovation

Department Heads prepared and submitted capital improvement requests along with detailed project descriptions for first year projects, asset inventory and replacement schedules, supporting studies and strategic planning documents, and seven-year CIP requests.

The Capital Improvement program is based on an extensive prioritization process. Projects are prioritized based on City critical objectives and strategies, the Comprehensive Plan, Project PLAN, special studies and reports, City Council and department priorities, and anticipated funding sources. Projects are then evaluated on the following project prioritization matrix as recommended by the International City Management Association.

1. **Capital Costs** – These represent the annual total costs, including future year capital costs. Also to be considered is whether the proposed project will reduce future capital costs, for example, a rehabilitation project that averts a more expensive, subsequent replacement, and the extent of such savings.
 - a) Lower future capital costs
 - b) High future capital costs
 - c) No impact

2. **Annual Costs** - The expected change in operation and maintenance costs. Operating departments provide year-by-year estimates of the additional costs or reductions likely in the operating budget because of the new project. Also to be considered is changes in revenues, which may be affected by a project, for example, the loss of property taxes incurred when private land is used for a capital project.
 - a) Lower operating costs
 - b) Higher source of revenues

- c) Increases in productivity or opportunity
- d) Higher operating costs
- e) Lower source of revenues
- f) No impact

3. **Health and Safety Effects** – This criterion includes health-related environmental impacts like reductions/increases in traffic accidents, injuries, deaths, sickness due to poor water quality, health hazards due to sewer problems, etc.

- a) Increase public health
- b) Increase public safety
- c) No impact

4. **Community and Citizen Benefits** – Economic impacts such as property values, the future tax base, added jobs, income to citizens, changes in business income, and the stabilization (or revitalization) of neighborhoods. Such impacts may apply more to capital projects related to growth and expansion than to infrastructure maintenance though deteriorating structures can adversely affect business.

- a) Add to tax base
- b) Promote economic development
- c) Create employment
- d) Stabilize or revitalize neighborhood(s)

5. **Environmental, Aesthetic, and Social Effects** - A catch-all criterion for other significant quality-of-life related impacts, this includes community appearance, noise, air and water pollution effects, households displaced, damage to home, effect on commuters, changes in recreational opportunities, etc.

- a) Improve environmental protection effort (clean air, land and water)
- b) Improve quality of life for residents (i.e. noise, light pollution)
- c) Improves community appearance
- d) Improves recreational/cultural opportunities

6. **Distributional Effects** - Estimates of the number and type of persons likely to be affected by the project and nature of the impact – for instance, explicit examination of project impact on various geographical areas; on low-moderate income areas; and on specific target groups. Equity issues are central here – who pays, who benefits.

- a) Significant regional benefit
- b) City wide improvement
- c) Benefits large portion of City
- d) Benefits one neighborhood
- e) Assists in elimination of slum and blight
- f) No impact

7. **Public Perception of Need** - This criterion refers to project assessment of (a) the extent of public support; (b) interest group advocacy and/or opposition.
- a) Identified in Comprehensive Plan, Project PLAN or other study
 - b) Specific request of the City Council
 - c) Project requested by South Portland neighborhood organization or other group
 - d) Knowledge of public perception of need unknown
 - e) Public opposition
8. **Feasibility of Implementation** – This element is a measure of (a) special implementation problems (e.g., physical or engineering restraints) and (b) compatibility with the general direction of the City.
- a) Feasibility of implementation is manageable
 - b) Feasibility of implementation presents special implementation challenges
 - c) Project is dependent on the actions of another agency or organization
9. **Implication of Deferring the Project** - Deferring capital projects is tempting for hard-pressed governments, but an estimate of the possible effects, such as higher future costs and inconvenience to the public, provides valuable guidance in proposal assessment
- a) Deferral of the capital project will significantly increase the cost of the project
 - b) Deferral of the capital project will significantly increase the inconvenience to the public of not completing the project
 - c) Deferral of the capital project will increase operating costs
 - d) Deferral of the capital project will prevent operating cost savings or productivity improvements.
10. **Certainty of Information Supplied** – Amount of uncertainty and risk – For each proposal, each of the above criteria will have associated with it some degree of uncertainty as to cost estimates, effect on service quality, or impact of new procedures. When substantial uncertainties exist regarding any of the evaluation criteria for any proposal, the City should consider estimating, at least in broad terms, the amount of uncertainty – probability of occurrence – and the magnitude of the likely negative consequences. Few cities generate such information, but even “educated guesses” are useful here.
- a) Certainty of the cost estimate is high based on recent bid document or publicly advertised price
 - b) Certainty of the cost estimate is high based on engineering estimate
 - c) Certainty of the cost estimate is moderately high based on best professional judgement
11. **Effect on Interjurisdictional Relationships** – Possible beneficial/adverse effects on relationships with other jurisdictions or quasi-governmental agencies in the area

constitute this criterion. Such effects, e.g., waste disposal via landfills in other jurisdictions, are likely to require special regional coordination and could impair the proposal's attractiveness.

- a) Interjurisdictional benefit will be achieved
- b) Interjurisdictional project that has the support of another community or agency
- c) Interjurisdictional project that will need to obtain approval from another community or agency

12. City Critical Objective – If a capital project directly addresses a City critical objective, the relative attractiveness of that project increases.

- a) Identified in comprehensive Plan, Project PLAN or other study
- b) Specific request of the City Council
- c) Consistent with vision statement “to become the premier service provider in northern New England”
- d) Consistent with annual work plan described in operating budget
- e) Important; but not critical

13. Nature of the Investment – Does the capital improvement request replace or maintain an existing asset or provide for a new capital asset?

- a) Maintenance of an existing asset
- b) Replacement of an existing asset
- c) Expansion of an existing asset
- d) New capital asset

14. Significant Investment in Previous Years. Has the City made a significant investment in this programmatic area within the last five years?

- a) Significant investment made by the City in the last five years
- b) Significant investment made by the City to meet legal obligation
- c) Moderate investment
- d) No investment

After all proposed projects are prioritized using these fourteen criteria, the list will be reviewed from two more viewpoints: 1) does the list stand an “intuitive check”? Do projects fall in the priority order that was “anticipated”? and (2) are there any linkages between projects? Are any projects related to each other geographically, or otherwise, such that having them accomplished concurrently would be advantageous? What about sequencing or timing? Are any projects dependent on the completion of other projects? Adjustments to the priority list may be necessary dependent on this final review.