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City Budget Series: Capital Improvement Projects and Why Reserves are Important

Throughout the budget series, we've talked about how the budget process works and why utilities and utility rates are important. Let's shift gears and talk about capital improvements and reserves. What are they and why are they important?

Capital improvement projects are projects that will result in a permanent and lasting change to our community that enhances overall value, prolongs usefulness, or adapts something to a new use. Some examples of past capital improvement projects are water and sewer infrastructure projects, street resurfacing and sidewalk projects, or large vehicle purchases like ladder trucks for Thomasville Fire Rescue. Other capital improvement projects may be larger in scope with a greater impact to the community, such as the Weston Park improvement project, the West Jackson Streetscape or the construction of The Ritz Amphitheater, to name a few. There are a number of capital improvement projects that need to be considered for future implementation, including mandated water treatment plant improvements, storm water improvements, an airport runway rehab project, and many others. All of these types of projects are similar in that they are both very extensive and expensive, requiring many manhours and large amounts of funding to be completed. We will talk more about how a project is developed and executed in an upcoming post but for now, let's talk funding. Where does the money come from for these capital improvement projects?

Capital projects may be funded in a variety of ways including through Local Option Sales Tax (LOST) funding, Special Option Sales Tax (SPLOST), grant funding resources, and revenues from public utilities. Some of the grants that the City may receive, such as Community Development Block Grants (CDBG) awarded by the Georgia Department of Community Affairs (DCA), are very competitive. Did you know that the City of Thomasville has qualified as a PlanFirst Community, which is a program that recognizes excellence in community planning? This designation is important because as a PlanFirst community, the City is eligible to compete annually for CDBG funding rather than every two years like communities who have not received the PlanFirst designation. In addition, being a PlanFirst Community also allows us to receive reduced interest rates on Georgia Environmental Financing Authority (GEFA) loans and bonus points on applications for other DCA funding sources.

The City of Thomasville also pursues other funding sources, including grants such as the Georgia Department of Transportation's Local Maintenance and Improvement Grant (LMIG), Georgia Transportation Infrastructure Bank (GTIB) grants, or opportunities from the Georgia Department of Natural Resources Division. The grant application is a very competitive process and each grant has strict application criteria. Sometimes it is a matter of identifying the best funding source for each particular project.



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Generally, the City of Thomasville has not accumulated debt outside of very low interest GEFA loans in order to improve our public infrastructure. However, this creates challenges as to how to approach the needed maintenance and repairs that are associated with aging infrastructure. Because the City does not levy a property tax, careful planning and budgeting is required to ensure much-needed capital projects become a reality.

This brings us to savings (sometimes called “reserves”). Just like in your personal budget, having some money in savings is beneficial when you are faced with an increase in expenses outside of your normal spending. If your car needs a repair or if your home needs a roof, having that savings allows you to move forward with addressing these unexpected surprises. The City is no different; having reserves is important because it helps protect the City in the event of a financial emergency. For example, when Hurricane Michael swept through Thomasville, electric revenue was lost, property was damaged, and significant destruction was seen throughout the community. We were able to pull from our reserves to bridge the gap between the damaging storm and when federal aid was awarded (roughly two years later). Reserves could also help pay for large purchases and help avoid accumulating debt.

Long term financial planning is essential to any organization. The City of Thomasville works hard to collaborate with the public and your elected officials to create plans we can follow and put into action each year and beyond. This includes the creation of a capital improvement plan, which is a plan that contains all of the individual capital projects, equipment purchases and major studies that are needed by a local government. Having this plan will allow the City to align our needs with financial planning. Together, a sound financial and capital improvement plan will create a blueprint for sustaining and improving our community’s infrastructure.

Your voice matters! As a member of the community, your input is an invaluable part of the budget planning process. The dates for the remaining 2021 budget hearings are as follows:

- November 30, 2020- Proposed Budget available online and in office for public review.
- December 7, 2020- Public Meeting to review Proposed Budget: 5:30 p.m., Municipal Building Council Conference Room
- *December 9, 2020 – Regular Workshop of the Thomasville City Council: 4:00 p.m., Municipal Building
- *December 14, 2020 – Regular Meeting of the Thomasville City Council: 6:00 p.m., Municipal Building

*These are regularly scheduled meetings where action and/or discussion regarding the proposed budget is expected to take place.