

Planned Program of Capital Improvements

Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](http://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal 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 municipal 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 MTAS website material.

Sincerely,

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One of the most important planning tools for utility operations is the capital improvements plan. Cities can best use their revenue dollars and provide their customers with the most reliable service when long-range planning is done. Areas where capital improvements planning should be done include:

- Water and sewer line extensions or replacements;
- Pump rebuilds and/or replacements;
- Water meter replacements;
- Water tank replacements, refurbishing, and additions;
- Repair and replacement of lift stations;
- Renovation or replacement of water treatment plants;
- Renovation or replacement of wastewater treatment plants; and
- Major equipment and vehicle replacements or additions.

Once capital projects are identified, a list should be compiled of all projects needing completion and their approximate cost. Then, city staff and officials can prioritize the list as to completion dates over the next four or five years. Once this is accomplished, cities will have a much better idea of the funds that will be needed for each project. The result is a capital projects budget, a very helpful tool for the utilities. Unlike the normal city budget, the capital budget is not fixed; it is merely a guide. It will need to be updated annually, as new projects arise and current projects are completed.

In addition to planning the use of operating funds, the capital budget allows cities to do long-range planning for major projects, such as new treatment plants, that will require the city to obtain grants or borrow funds. By planning for these projects several years in advance cities are able to find the best possible sources of funds at the cheapest interest rates. Also, sufficient rates can be put into place to pay the new debt service and ensure that the city still has enough income for normal operations and maintenance.

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