

## Details of Current vs. Proposed Capital Budget Process

### Current Process for Capital and Appropriating Capital Funds by Project

1. Capital Projects Budget adopted by Council – annually in November for next fiscal year.
2. Capital Budgets are annually put into the accounting system in lump sum by types (Parks, Streets, etc.).
3. During the fiscal year resolutions for some projects are taken forward to both F&P Committee and Common Council to request appropriation of funds. In addition, Engineering bids out certain projects, awards the bids and prepares resolutions for Common Council for approval of contract award and concurrent release of appropriation.
4. Past Finance Department practice required bonded cash proceeds to be available prior to releasing appropriation by Council. This resulted in resolutions being brought to Council asking for an appropriation of reserve funds until such time as bonded cash proceeds were received from the bond sale and then indicating reserve fund appropriation would be paid back.
5. After approval by Council copies of resolutions are made by the Accountant/Bookkeeper and provided to the Accounting Technician, the Account Analyst, the Financial Services Coordinator (FSC) and for a Finance file.
6. Upon approval of appropriation by Committee and Council, FSC holds resolutions through five day veto period.
  - a. After veto period, a budget entry is made by FSC into the accounting system to move funds for the project from the lump sum account identified in Step 2 above into the individual project at which time a project number is also assigned in the accounting system.
  - b. A project cover sheet is created by FSC who provides it to the Account Analyst who maintains it in a hard copy notebook to track all payments made against the project.
  - c. After the budget entry is made in the financial system, the FSC creates a PO to encumber against the budget the total of the funds appropriated.
7. Progress payments are made on the awarded contract based on a hard copy paper sheet provided by departments to Finance.
8. Project closeout takes place upon final payment and confirmation of closure by departments.
  - a. Projects are also sometimes held open with funds attached to it until each January when the City Engineer comes to Finance and reviews the Account Analyst's notebooks of projects.
9. At closeout, any funds remaining are returned to the lump sum budget accounts by type as identified in Step 2 above.

- **Issues with the current capital process:**

- CIP Budget per project is not aligned with subsequent resolutions causing some projects to potentially be underfunded as the initial project budget approved in the CIP Plan is not tracked per project but is tracked in a lump sum by purpose.
- A project bid that comes in over the amount funded per project in the CIP plan would by necessity pull funds from another previously approved project depending in which order the projects move forward. Subsequent individual projects may come up short in funding as it's conceivable that the approved lump sum funding by type may be depleted by the time a later project is ready to start and needs its funding.
- The resolutions to appropriate funds are not necessarily an indicator of a project being ready to start, they are simply a method to reserve those funds and don't indicate forward motion on a project.
- The current method requires an inordinate amount of staff time manually tracking remaining available funds and making budget adjustment entries by each resolution.
- A great deal of time and effort goes into vetting projects and creating the Capital Improvement Plan each year and the current method of release of appropriation does not ensure that the projects detailed and approved in that plan are accomplished in a timely manner.

### **Proposed Process for Capital and Appropriating Capital Funds by Project**

1. Projects are individually identified with amounts in the CIP Plan which is approved by Council annually in November for the next fiscal year.
2. At the start of the new fiscal year project budgets will be set up by specific individual project and by funding type in the accounting system as identified in the CIP Plan rather than being held in a lump sum budget by project type.
3. When projects are bid, Council approves the bids and awards the contracts.
4. Spend time on providing a project status update to Council rather than bringing forward resolutions on a recurring basis to appropriate funds.

The requirement to prepare resolutions requesting release of appropriation one at a time is currently in a City ordinance:

*Sec. 2-359. - Implementation of the Capital Improvement Budget.*

*(a) Project implementation. It shall be the responsibility of the Board of Public Works to ensure that all projects enumerated and funded in the adopted annual Capital Improvement Budget are designed, bid, purchased and constructed. The Board of Public Works shall be charged with introducing the appropriate resolution to the Common Council each year listing the projects to be addressed in the upcoming year. Individual departments responsible for each project are required to create/submit the applicable resolution to the Common Council to appropriate/release all funds associated with the project.*

Suggest removing the shaded language above and mirroring the language in the Operating Budget Code section regarding appropriation of funds as follows:

*(b) Project implementation. It shall be the responsibility of the Board of Public Works to ensure that all projects enumerated and funded in the adopted annual Capital Improvement Budget are designed, bid, purchased and constructed. The Board of Public Works shall be charged with introducing the appropriate resolution to the Common Council each year listing the projects to be addressed in the upcoming year. Individual departments responsible for each project are required to create/submit the applicable resolution to the Common Council to appropriate/release all funds associated with the project. The adoption of the Capital Improvement Budget by the Common Council shall be authority for the expenditure by a department for the projects and purposes identified within the Capital Improvement Plan in the amounts assigned to the project and by the sources identified in the Capital Improvement Plan. Any changes to the projects; whether in scope, amount or funding source; in the Council adopted Capital Improvement Plan will require action by resolution of the Common Council to effect such change.*