



TO: T.C. Broadnax, City Manager
FROM: *TW* Tadd Wille, Budget Director, Office of Management & Budget
Andy Cherullo, Director, Finance Department
COPY: City Council and City Clerk
SUBJECT: Ordinance – Establishing a New Capital Budget Fund Structure
DATE: September 21, 2016

SUMMARY:

This Ordinance establishes a new capital fund structure to allow for improved budgeting and monitoring of capital projects that are active beyond the two years of a biennial budget. It also establishes new capital revenue funds to allow for greater transparency in the relationship between the operating and capital budget.

STRATEGIC POLICY PRIORITY:

- Assure outstanding stewardship of the natural and built environment.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

BACKGROUND:

The City currently has two capital funds – Capital Projects Fund 3211 and Transportation Capital & Engineering Fund 1060. PWE Paths & Trails Reserve Fund 1140 is classified as a Special Revenue Fund, but the fund contains most of the City’s capital projects for trails. Capital project revenues are received directly in Funds 3211, 1060, and 1140.

This Ordinance would establish two new funds for capital project revenues – Transportation Revenues Fund 1050 (a Special Revenue Fund) and Real Estate Excise Tax Fund 3210 (a Capital Fund). These new funds allow for the segregation of capital project revenues and expenditures and improved monitoring of transfers. These two revenue funds would be appropriated biennially as part of the City’s Operating Budget.

This Ordinance would also repurpose Funds 3211, 1060, and 1140 to be Special Capital Funds. The appropriation in these funds would be adopted separately from the operating budget and would be used to establish the City’s Capital Budget. The Capital Budget would operate with multi-year appropriation. For active capital projects, any unspent appropriations at biennium end will not lapse and will be carried over to the next biennium without further Council action. This will more efficiently track capital project budgets over time and allow for more transparency and accountability in the monitoring of capital project progress.

The Office of Management & Budget will perform an annual review of all capital projects and provide status updates to the City Council.

ISSUE:

Many capital projects are active for longer than two years. The management of these capital project budgets is constrained by the current need to manage their budgets biennially. Creating additional capital revenue funds and establishing special capital funds with multi-year appropriation also allows for greater transparency and distinction between the operating and capital budget.



ALTERNATIVES:

The City could use its existing fund structures to account for capital project revenues and expenditures. However, this will require continuing reappropriation for capital projects, which make capital project budgets more difficult to track across several bienniums.

RECOMMENDATION:

Approval by the City Council is requested. The proposed structure will improve efficiency, accountability, and transparency in the monitoring of capital project revenues and expenditures.

FISCAL IMPACT:

There is no fiscal impact from this action. The 2017-2018 Operating and Capital Budgets will establish appropriation authority in the new and repurposed funds. Council is scheduled to adopt the 2017-2018 Operating and Capital Budgets in November 2016.