

## CAPITAL IMPROVEMENTS BUDGETING AND ADMINISTRATION GUIDELINES

### I. DEFINITIONS

- A. **Capital Expense** – A piece of equipment or a project with a total cost greater than \$20,000 that improves an asset and has a multi-year useful life is eligible for inclusion in the capital budget. For projects or equipment funded with proceeds from borrowing, the intent is to match the term of the borrowing as closely as possible with the useful life of the improvement or asset. For example, shorter-lived assets or improvements are financed over a 5 year term while longer-lived assets or improvements are financed over a 15 year term.
- B. **Capital Purpose Program** - A broad objective or program typically for infrastructure improvements, of a continuing nature, that is not precisely allocated in the budget to a specific capital project. An Unallocated Capital Purpose Project serves as a source of funds (Parent Project) to finance individual projects as they are approved by Common Council resolutions after the budget has been adopted. Examples of Capital Purpose Programs are: sewers, streets, street lighting, traffic control, etc. Construction of an individual project shall commence only after approval by the Common Council.
- C. **Capital Purpose Project (Segment)** - A project within a Capital Purpose Program, established for the purpose of accumulating the costs for a specific well-defined capital construction project such as a specific segment of sewer, water main, street pavement, street lighting, traffic control, etc.. Appropriations are transferred from the Parent Project to fund the project. A contract may contain multiple Capital Purpose Projects within a Capital Purpose Program and/or from different Capital Purpose Programs.

Control of expenditures within a Capital Purpose Program shall be by individual Capital Purpose Project at the Segment level.

- D. **Capital Project** - A specific well-defined capital construction project, usually of a one-time nature such as a specific neighborhood library, a police station, a service building, urban renewal project, etc. A Capital Project is created directly from the detail in the budget.

### II. APPROPRIATIONS

- A. **Gross Budget Concept** - Provide appropriation authority for anticipated total expenditures for each proposed capital project or purpose to be undertaken by the City, regardless of the source of funds.
- B. **Capital Improvements Involving Proceeds from Borrowing - Funding Sources** involving proceeds from borrowing shall be qualified for borrowing, and identified in the detail budget. For projects with multiple funding sources, borrowing proceeds will be spent first.
- C. **Creation of a Capital Purpose Project** - Before construction can proceed on a Capital Purpose Project, the department shall first receive Common Council approval for the Capital Purpose Project by resolution. The resolution shall specify: description, scope, project identification number, and an accurate estimate of total cost. Prior to adoption, the resolution shall be countersigned by the Comptroller as to availability of appropriations. If sufficient funds are not available, the resolution will not be countersigned.

Upon adoption of the Common Council resolution, the Comptroller shall transfer approved amounts from the Parent Project to the Capital Purpose Project. Said transfer shall occur shortly after adoption, whether or not the Capital Purpose Project is ready to proceed.

All Capital Purpose Projects cannot exceed its Parent Project. Expenditures cannot exceed budgeted amounts in any Capital Purpose Project.

### III. RECEIPTS OF OTHER THAN PROPERTY TAXES

- A. Proceeds from Borrowing - To be shown in the budget in a capital receipt category separate from General Fund City Revenues. Such anticipated proceeds shall be considered as a direct offset to the Capital Improvements budget in determining the tax levy for Capital Improvements.
- B. Proceeds from Mortgage Revenue Borrowing - All proceeds from Mortgage Revenue Borrowing shall be disbursed in the manner provided for in the ordinance authorizing such borrowing. Where the Capital Improvements Budget includes an appropriation for the specific purpose or project for which Mortgage Revenue Borrowing is to be undertaken, then the amount of money to be borrowed through the issuance of such Mortgage Revenue Bonds shall be deducted from the levy.
- C. Proceeds from Internal Borrowing for the Purpose of Financing Special Assessments - To be shown in the budget in a Capital receipt category separate from General Fund City Revenues. Such estimated anticipated proceeds shall be considered as a direct offset to the Capital Improvements budget in determining the tax levy for Capital Improvements. Such internal borrowing will be repaid by receipts from special assessments against property.
- D. Receipts Related to Capital Improvements Other Than Taxes and Proceeds from Borrowing - All anticipated receipts from developers, governmental and other grants and aids and from any other source, other than borrowing, special assessments, and property taxes related to the City's Capital Improvement Program shall be shown in the budget as Cash Revenues. Such Cash Revenues shall be considered as a direct offset to the Capital Improvements budget in determining the tax levy for Capital Improvements and shall be identified and arrayed in the budget in a manner which will promote understanding of the source of such funds and the purpose for which they were or are anticipated to be received.

In the case of the Water Department, regulated by the Public Service Commission, the above types of receipts except for interest on unused proceeds from borrowing shall be shown under Water Department revenues.

### IV. TRANSFERS OF CAPITAL FUNDS

- A. Transfers Between Capital Programs and Projects Within a Department
  - 1. From one Capital Purpose Program to another Capital Purpose Program within a department and fund shall be permitted upon approval by the Department of Administration in accordance with Chapter 65.06(3) Wisconsin Statutes if the total transfer amount is \$20,000 or less. Total transfers of over \$20,001 per receiving Capital Purpose Program are subject to approval by the Finance and Personnel Committee. Restrictions on the use of proceeds from borrowing shall be followed in authorizing these transfers.
  - 2. Transfers within the same Capital Purpose Program between different budget years shall be permitted upon approval by the Comptroller's office. Restrictions on the use of proceeds from borrowing shall be followed in authorizing these transfers.
  - 3. From one Capital Project to another Capital Project within a department and fund shall be permitted providing restrictions on the use of proceeds from borrowing, if applicable, shall be followed. Total transfers of over \$20,001 per receiving Capital Project are subject to approval by the Finance and Personnel Committee. Total transfers of \$20,000 or less per receiving Capital Project are subject to approval by the Department of Administration.

- B. Transfers from Capital Project to Capital Purpose Projects or vice versa, other than grantor share funding, are not permitted. Transfers from Capital Project to Capital Purpose Projects or vice versa of grantor share funding are permitted.
- C. To permit a reasonable amount of necessary flexibility between actual project costs and estimates as identified in the approved adopted resolution, an additional transfer of appropriations shall be permitted except for developer funded projects. Subject to a maximum of \$150,000 per Capital Purpose Project, up to the greater of 10% or \$5,000 of additional capital transfers to a Capital Purpose Projects from the available funds remaining in its Parent Project is permitted without additional approval by the Common Council. Departments shall submit a request for a transfer of funds to the Comptroller's Office.

#### V. CLOSING OUT AND CARRYOVER OF CAPITAL PROJECT APPROPRIATION BALANCES

- A. During the year a project shall be considered completed when both of the following have taken place:

- 1. The contracting City agency has accepted the project from:
  - a) The contractor
  - b) The City agency that performed the work
- 2. The proper City agency has authorized final payment (exclusive of retainer to protect the City).

It shall be the responsibility of the Department to submit a capital close-out request to the Comptroller to close out any unencumbered balance within 90 days after the above has taken place.

Unencumbered balance in a Capital Project shall revert to the General Fund if the source of funds for such project was a cash appropriation and to the Debt Service Fund the source of funds was proceeds from borrowing. In the case of Water Department Capital Projects, funds will be returned to Water Fund Retained Earnings.

In the case of a Capital Purpose Project, the balance from a completed or canceled project shall revert back to its Parent Project, and may be re-appropriated by the Common Council for another Capital Purpose Project within the same program.

- B. Year-End Carryover of Capital Projects, Capital Purpose Projects involving incomplete Projects, and unallocated Capital Purpose Programs - The year-end balance in each Capital Project, Capital Purpose Project involving a project that has not been completed, and unallocated Capital Purpose Programs shall be carried over by the Department of Administration if in the Department of Administration's judgment such carryover is warranted and complies with maximum limitation. Funds shall be carried over for a maximum of 4 carryover years after the initial year of appropriation. This shall apply regardless of the source of funds for such project or program.

#### VI. EXTENSION OF PROJECT END DATES

- A. Project end dates shall be extended by the Comptroller's Office upon request of the department.
- B. Project end dates will not be extended beyond the carryover limitation stated in section V.B.