

**A RESOLUTION ADOPTING REVISED CAPITAL BUDGETING POLICIES
FOR THE TOWN OF CARRBORO
Resolution No. 74/2006-07**

**BE IT RESOLVED BY THE BOARD OF ALDERMEN OF THE TOWN OF
CARRBORO:**

Section 1: The Board of Aldermen recognizes the importance of capital budgeting policies that establish complete and accurate records for capital project budgets in compliance with the North Carolina Fiscal Control Act (GS 159-26 (b) (8) and to provide budgetary flexibility necessary to accomplish projects in a cost-effective manner.

Section 2: The Town's capital budget objectives address capital projects budgeted in a project ordinance. This ordinance applies only to capital items budgeted in a multi-year grant or capital fund.

Section 3: The policy supersedes the language written in the FY06-07 adopted budget ordinance. The new policy creates flexibility for the Town Manager to approve line item transfers within a project as long as the project can still be achieved without increasing the total funding of the project. An amendment is required when the budget established for the project is not sufficient to complete the project in its entirety.

Section 4: This resolution shall become effective upon adoption.

AN ORDINANCE AMENDING FY'2006-07 BUDGET ORDINANCE

WHEREAS, the Town Board of the Town of Carrboro on June 6, 2006 adopted the annual budget for the fiscal year beginning July 1, 2006 and ending June 30, 2007 and

WHEREAS, it is appropriate to amend the expense accounts in the funds listed to provide for increased expenses for the reasons stated.

NOW, THEREFORE, BE IT ORDAINED, that in accordance with authority contained in G.S. 159-15, the following expense and revenue accounts are amended as shown and that the total amount for the funds are herewith appropriated for the purposes shown:

| FUND | ACCOUNT TITLE | INCREASE (DECREASE) | AMOUNT | FROM | TO |
|-----------|---|------------------------|-------------|-----------|-----------|
| Bond Fund | | | | | |
| | NONDEPARTMENTAL | | | | |
| | PROJECT EXPENDITURES | DECREASE | (\$55,370) | \$352,303 | \$296,933 |
| | BOND PROCEEDS | DECREASE | (\$55,370) | \$352,303 | \$296,933 |
| | <i>Distributing Remaining Bond Proceeds To Projects (Contingency, Design Etc); increases budget for legal and administrative costs associated with BANs and a future bond issue</i> | | | | |
| | MORGAN CREEK GREENWAY | | | | |
| | BOND PROCEEDS | DECREASE | (\$120,000) | \$130,000 | \$10,000 |
| | FEDERAL STP-DA | DECREASE | (\$480,000) | \$520,000 | \$40,000 |
| | PROJECT EXPENDITURES | DECREASE | (\$600,000) | \$650,000 | \$50,000 |
| | <i>Budgeting for design costs only at this time. Future bond proceeds will accommodate local match as project is closer to implementation</i> | | | | |
| | BOLIN CREEK GREENWAY | | | | |
| | BOND PROCEEDS | DECREASE | (\$14,000) | \$14,000 | \$0 |
| | FEDERAL STP-DA | DECREASE | (\$56,000) | \$56,000 | \$0 |
| | PROJECT EXPENDITURES | DECREASE | (\$70,000) | \$70,000 | \$0 |
| | <i>Budget at later date</i> | | | | |
| | HANNA ST SIDEWALK | | | | |
| | BOND PROCEEDS | INCREASE | \$54,912 | \$85,158 | \$140,070 |
| | DEVELOPER CONTRIBUTIONS | DECREASE | (\$10,912) | \$99,556 | \$88,644 |
| | PROJECT EXPENDITURES | INCREASE | \$44,000 | \$240,278 | \$284,278 |
| | <i>Budgeting for anticipated project costs as project nears completion</i> | | | | |
| | BOLIN FOREST SIDEWALK | | | | |
| | BOND PROCEEDS | INCREASE | \$7,600 | \$36,649 | \$44,249 |
| | PROJECT EXPENDITURES | INCREASE | \$7,600 | \$66,409 | \$74,009 |
| | <i>Budgeting for anticipated project costs as project nears completion</i> | | | | |
| | LISA DRIVE SIDEWALK | | | | |
| | BOND PROCEEDS | INCREASE | \$1,128 | \$126,672 | \$127,800 |
| | PROJECT EXPENDITURES | INCREASE | \$1,128 | \$126,672 | \$127,800 |
| | <i>Project is completed.</i> | | | | |
| | QUAIL ROOST SIDEWALK | | | | |
| | BOND PROCEEDS | INCREASE | \$105 | \$145,894 | \$145,999 |
| | PROJECT EXPENDITURES | INCREASE | \$105 | \$145,894 | \$145,999 |
| | <i>Project is completed.</i> | | | | |
| | N. GREENSBORO SIDEWALK | | | | |
| | BOND PROCEEDS | INCREASE | \$65,000 | \$325,553 | \$390,553 |
| | PROJECT EXPENDITURES | INCREASE | \$65,000 | \$325,553 | \$390,553 |
| | <i>Budgeting for anticipated project costs as project nears completion</i> | | | | |

| FUND | ACCOUNT TITLE | INCREASE (DECREASE) | AMOUNT | FROM | TO |
|------|--|------------------------|---------|----------|----------|
| | WILLIAMS ST. SIDEWALK | | | | |
| | BOND PROCEEDS | INCREASE | \$4,500 | \$36,879 | \$41,379 |
| | PROJECT EXPENDITURES | INCREASE | \$4,500 | \$36,879 | \$41,379 |
| | <i>Budgeting for anticipated project costs as project nears completion</i> | | | | |
| | LLOYD ST. SIDEWALK | | | | |
| | BOND PROCEEDS | INCREASE | \$1,500 | \$10,756 | \$12,256 |
| | PROJECT EXPENDITURES | INCREASE | \$1,500 | \$10,756 | \$12,256 |
| | <i>Budgeting for anticipated project costs as project nears completion</i> | | | | |
| | JONES FERRY ROAD SIDEWALK | | | | |
| | BOND PROCEEDS | INCREASE | \$2,530 | \$18,040 | \$20,570 |
| | PROJECT EXPENDITURES | INCREASE | \$2,530 | \$18,040 | \$20,570 |
| | <i>Budgeting for anticipated project costs as project nears completion</i> | | | | |
| | FOWLER ROAD SIDEWALK | | | | |
| | BOND PROCEEDS | INCREASE | \$2,200 | \$15,935 | \$18,135 |
| | PROJECT EXPENDITURES | INCREASE | \$2,200 | \$15,935 | \$18,135 |
| | <i>Budgeting for anticipated project costs as project nears completion</i> | | | | |
| | S. GREENSBORO ROAD SIDEWALK | | | | |
| | BOND PROCEEDS | INCREASE | \$8,605 | \$42,902 | \$51,507 |
| | PROJECT EXPENDITURES | INCREASE | \$8,605 | \$42,902 | \$51,507 |
| | <i>Budgeting for anticipated project costs as project nears completion</i> | | | | |

| FUND | ACCOUNT TITLE | INCREASE (DECREASE) | AMOUNT | FROM | TO |
|---|--------------------------------|------------------------|------------|----------|-----------|
| <i>Note: The projects below reflect Phase IB projects for which design work is either completed or is underway. To facilitate cost-effective tracking of Phase IB projects, the Phase IB projects are being combined into one large budgeted project.</i> | | | | | |
| | PLEASANT DRIVE SIDEWALK | | | | |
| | BOND PROCEEDS | DECREASE | (\$18,223) | \$18,223 | \$0 |
| | PROJECT EXPENDITURES | DECREASE | (\$18,223) | \$18,223 | \$0 |
| | | | | | |
| | ASHE ST SIDEWALK | | | | |
| | BOND PROCEEDS | DECREASE | (\$7,008) | \$7,008 | \$0 |
| | PROJECT EXPENDITURES | DECREASE | (\$7,008) | \$7,008 | \$0 |
| | | | | | |
| | ELM ST SIDEWALK | | | | |
| | BOND PROCEEDS | DECREASE | (\$9,958) | \$9,958 | \$0 |
| | PROJECT EXPENDITURES | DECREASE | (\$9,958) | \$9,958 | \$0 |
| | | | | | |
| | SHELTON ST SIDEWALK | | | | |
| | BOND PROCEEDS | DECREASE | (\$11,365) | \$11,365 | \$0 |
| | PROJECT EXPENDITURES | DECREASE | (\$11,365) | \$11,365 | \$0 |
| | | | | | |
| | BIM ST SIDEWALK | | | | |
| | BOND PROCEEDS | DECREASE | (\$9,486) | \$9,486 | \$0 |
| | PROJECT EXPENDITURES | DECREASE | (\$9,486) | \$9,486 | \$0 |
| | | | | | |
| | DAVIE ST SIDEWALK | | | | |
| | BOND PROCEEDS | DECREASE | (\$10,985) | \$10,985 | \$0 |
| | PROJECT EXPENDITURES | DECREASE | (\$10,985) | \$10,985 | \$0 |
| | | | | | |
| | ESTES ST SIDEWALK | | | | |
| | BOND PROCEEDS | DECREASE | (\$14,446) | \$14,446 | \$0 |
| | PROJECT EXPENDITURES | DECREASE | (\$14,446) | \$14,446 | \$0 |
| | | | | | |
| | PINE ST SIDEWALK | | | | |
| | BOND PROCEEDS | DECREASE | (\$9,404) | \$9,404 | \$0 |
| | PROJECT EXPENDITURES | DECREASE | (\$9,404) | \$9,404 | \$0 |
| | | | | | |
| | CHEEK ST SIDEWALK | | | | |
| | BOND PROCEEDS | DECREASE | (\$13,056) | \$13,056 | \$0 |
| | PROJECT EXPENDITURES | DECREASE | (\$13,056) | \$13,056 | \$0 |
| | | | | | |
| | JAMES ST SIDEWALK | | | | |
| | BOND PROCEEDS | DECREASE | (\$25,317) | \$25,317 | \$0 |
| | PROJECT EXPENDITURES | DECREASE | (\$25,317) | \$25,317 | \$0 |
| | | | | | |
| | PHASE 1B SIDEWALKS | | | | |
| | BOND PROCEEDS | INCREASE | \$170,537 | \$0 | \$170,537 |
| | INTEREST EARNINGS | INCREASE | \$12,700 | \$0 | \$12,700 |
| | PROJECT EXPENDITURES | INCREASE | \$183,237 | \$0 | \$183,237 |

REASON: To appropriate and distribute project budgets.

STANDARD PROCEDURES
TOWN OF CARRBORO
 North Carolina

| Department Management Services | Effective Date | Number | Number of Pages |
|--|---|---|-----------------|
| Subject: Capital Budget and Transfer Policy | Revised by L. Bingham Roenigk Assistant Town Manager | Approved by Steven E. Stewart Town Manager | |

1.0 PURPOSE

To establish complete and accurate records accounting for capital project budgets in compliance with General Statute 159-26(b) (8) and to provide budgetary flexibility necessary to accomplish projects in a cost-effective manner.

A local government may in its discretion, authorize and budget for a capital project or grant project, either in its annual budget ordinance or in a project ordinance. Policies for capital projects budgeted in the annual budget ordinance are written in the Town's fiscal policy.

This policy addresses capital projects budgeted in a project ordinance. This ordinance applies only to capital items budgeted in a multi-year grant or capital fund.

2.0 ORGANIZATIONS AFFECTED

All departments and divisions.

3.0 REFERENCES

GS 159-13; 159-13.2

4.0 POLICY

Town Manager

The responsibility of the Town Manager is to review agenda items for capital ordinances prior to board approval and authorize budget transfers as dictated by the policy.

Department Head Responsibilities

The responsibility of the Department Head is to notify Management Services when a capital project is ready to be appropriated (prior to any spending). Once the project is appropriated, the department head is responsible for monitoring project costs on a regular basis, advising the Management Services Department when financial or budgetary adjustments to the project budget are needed. If there are grant funds associated with the project budget, the department head shall be responsible for requesting grant reimbursements in a timely manner.

Town Clerk Responsibilities

Each project ordinance shall be entered in the minutes of the governing board. Within five days after adoption, copies of the ordinance shall be filed with the finance officer, the budget officer, and the clerk to the governing board. The responsibility of The Town Clerk is to record any project ordinances and ordinance amendments approved by the Board.

Budgeting and Accounting Responsibilities

The responsibility of the Management Services department is to assist department heads with preparing project ordinances for approval by the Board, preparing budget transfers as needed and authorized. The Management Services department shall, annually, include in the budget information in such detail as the town manager or the governing board may require concerning each grant or capital project (i) expected to be authorized by project ordinance during the budget year and (ii) authorized by previously adopted project ordinances which will have appropriations available for expenditure during the budget year.

The accounting division will provide monthly reports to enable department heads to monitor project costs. The accounting division is also responsible for the presentation of the capital projects in the annual audited financial statements.

5.0 DEFINITIONS

“Capital project” means a project financed in whole or in part by the proceeds of bonds or notes, or debt instruments or a project involving the construction or acquisition of a capital asset.

“Grant project” means a project financed in whole or in part by revenues received from the federal and/or State government for operating or capital purposes as defined by the grant contract.

“Project Ordinance” –A project ordinance authorizes all appropriations necessary for the completion of the project and neither it nor any part of it need be readopted in any subsequent fiscal year. Neither a bond order nor an order authorizing any debt instrument constitutes a project ordinance. This is a legal budget ordinance form that is attached to agenda abstracts for board approval.

6.0 PROCEDURE

Establishment of Project Ordinance

At any time during the year, a project ordinance may be established. A local government shall not begin a capital project until it has adopted a balanced project ordinance for the life of the project.

A project ordinance is balanced when revenues estimated to be available for the project equal appropriations for the project. A project ordinance shall clearly identify the project and authorize its undertaking, identify the revenues that will finance the project, and make the appropriations necessary to complete the project.

The procedure for establishing a project ordinance follows the same steps written in the policy for agenda item preparations. Management Services is responsible for preparing the project ordinance and will assist department heads with the agenda abstract language as requested.

Project Budgeting Guidelines:

Major capital decisions tend to have a fiscal and operational impact more extensive than that required of annual operating and maintenance decisions and require different planning and budgetary methods. For projects that cost over \$100,000 and will require more than one year to accomplish, it is recommended that departments use a project ordinance rather than the General Fund operating budget.

Establishing a project budget is based on departmental need. For example, most projects should show line items similar to what is reflected in the Capital Improvements Plan.

Planning: These costs include architect plans, site testing, and other pre-building issues.

Land/ROW: Estimated costs for land or right-of-ways.

Construction: Estimated costs for buildings related to specific projects.

Equipment/Furnishings: Estimated costs for equipment such as chillers, alarm systems, and safety equipment.

Furnishings include desks, chairs, and other items that will be used by employees and patrons.

Other: This allocation includes costs not easily fit into other categories. Examples include computer hardware and software purchases, attorney's fees, and ongoing park maintenance needs.

Contingencies: This is generally a percentage of the total project construction costs and represents funds available for unforeseen costs or cost increases.

Please consult with Management Services if you have spending needs that do not fit into the categories above.

For projects that represent multiples of the same thing (i.e. sidewalks), it might be useful to budget the projects as one larger project based on how you bid them or combine numerous sidewalk projects that are occurring in conjunction with each other. Management Services will assist departments in this decision as requested.

Amendments

A project ordinance may be amended in any manner so long as it continues to fulfill all requirements of this policy which references the North Carolina General Statutes 159-13.2 on project ordinances.

An amendment is required when the budget established for the project is not sufficient to complete the project in its entirety. A project ordinance amending the project budget will require following the steps dictated in the agenda preparation policy.

Transfers

Line-item adjustments within one project will be allowed via an internal "budget adjustment request form", **assuming the project scope is substantially the same and total funding will not increase as a result of the transfer.** Transfer requests will be prepared and signed by the department head of the requesting department and submitted to Management Services to be reviewed. When these transfers occur, the project manager will state that the project scope can still be achieved without increasing the total funding of the project. Management Services will ensure that all transfer requests are approved by the Town Manager.

A transfer between projects within the same fund is only allowed with formal board approval. This process ensures transparency and keeps the Board up-to-date regarding budget changes in capital projects.

Project Completion

Department heads are expected to notify the Management Services department when a project is completed. This will allow town staff to remove the project from the general ledger in a timely manner and transfer remaining funds to an undesignated account for future use for other capital projects. Audit and accounting guidelines require that the project have no expenditure or revenue activity in the year the project is removed from the general ledger.