

Agenda Report

September 30, 2013

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Department of Finance

SUBJECT: PROPOSED CIP PROJECT CLOSURE POLICY REVISION

RECOMMENDATION:

It is recommended that the City Council adopt the proposed CIP Project Closure Policy revision.

BACKGROUND:

The current process of closing out CIP projects with remaining balances under \$25,000 and redirecting the available monies is time-consuming and, given the small amounts in question, very inefficient. Consequently, staff requests authorization to make these adjustments administratively. The administrative action would be limited to remaining project amounts below \$25,000 and would be well documented with approvals from the applicable department or affiliated agency head and the Director of Finance. Current policy requires that all project changes, including closing out and reallocating remaining monies from a particular project, be formally approved by the City Council with a recommendation from the City Council Finance Committee. Additionally, since funding for projects can come from numerous funds, under the existing policy, inter-fund movement of budget must also be approved by the City Council.

On a number of occasions, this process has caused delays in closing projects and in making remaining monies available to begin or complete other projects where even small dollar amounts are involved. The current purchasing ordinance, with a few exceptions, requires that contracts over \$25,000 go through a formal bid process and be approved by the City Council. Staff recommends using this same threshold in providing staff with authorization to close out and reallocate remaining project monies even where multiple funds are involved. Anything over the \$25,000 threshold would adhere to the current policy and be presented to the City Council for approval with a recommendation from the City Council Finance Committee. The proposed CIP project closure policy revision is outlined below.

Proposed CIP Project Closure Policy Revision

Formal closure of CIP projects will be accomplished by the submission of an email from authorized personnel assigned by the Director of Public Works or the appropriate department head or affiliated agency head to the Finance Department if the project is underspent. If, however the project is overspent or other non-standard circumstances occur, the following process and procedure is authorized and shall be followed.

1. If the project is overspent and the deficit amount is less than \$25,000, the project account can be adjusted by the Director of Finance with formal written certification (*the Finance department will develop the form*) from the Director of Public Works or appropriate department head only if the project is in the adopted CIP. The Director of Public Works or appropriate department head will identify via the required form the funding source to address the deficit to close the project. Project adjustments greater than \$25,000 or not included in the adopted CIP must complete the regular process and be approved by the City Council.
2. If project is overspent and funding is on a reimbursement basis, i.e. grants, and the grant doesn't materialize as expected or is overspent due to type of funding restrictions, the Director of Public Works or appropriate department head will identify appropriate other funding sources to cover any deficit in the completed project using the same procedures outlined in # 1 above.

All certifications for projects subject to this policy will be completed within twelve months of the completion of the project unless the project is supported by funding such as grants where the timing of the funding is uncertain. If this is the case, the certification form shall indicate such and an annual review of the project, at a minimum, will be completed thereafter.

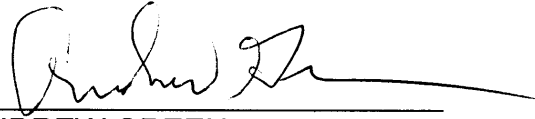
COUNCIL POLICY CONSIDERATION:

Approval of the revision to the proposed CIP Project Closure Policy supports the City Council's strategic goal to maintain fiscal responsibility and stability.

FISCAL IMPACT:

There is no fiscal impact as a result of this action, nor will there be any indirect or support cost requirements. The anticipated impact to other operational programs or capital projects as a result of this action will be none.

Respectfully submitted,



ANDREW GREEN
Director of Finance
Department of Finance

Approved by:



MICHAEL J. BECK
City Manager