

COUNCIL
CAPITAL EXPENDITURE POLICY

In fiscal years in which funds are available and funds have been appropriated to the Council Office budget for Councilmembers to support council capital projects, the following policy shall be used to govern the expenditure of said funds.

I. Appropriation of Funds:

In fiscal years in which funds are available, the Council may appropriate funds to the council office budget for capital projects. Each councilmember shall be allotted 1/15 of the total funds appropriated.

No Councilmember running for election may make a Capital Expenditure within thirty (30) days prior to any election; however, this provision shall not apply to Councilmembers who are unopposed.

Once approved, all capital projects must be encumbered by the end of the following fiscal year.

II. Definition of **Appropriate** Expenditures:

The following definition of capital assets is provided by the Government Accounting Standards Board. Capital Assets is defined as follows:

Capital assets are tangible and intangible assets acquired for use in operations that will benefit more than a single period. Typical examples are land, improvements to land, easements, water rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure and various intangible assets.¹

In order to qualify as a capital expenditure, funds used to support Urban County Government projects must be one-time expenditures (not recurring or ongoing expenses), capital in nature (have a useful life greater than one (1) year), and have a cost of \$5,000 or more; or one-time expenditures over \$100,000 that support capital projects for Urban County Government departments or divisions.

¹ Government Finance Officers Association, *Government Accounting, Auditing and Financial Reporting (2005)*, p. 251. Governmental Accounting Standards Board. *Comprehensive Implementation Guide (2004)*, 7, 423.

~~Additionally, the LFUCG budget and accounting system uses a Chart of Accounts for capital items. In order for an expenditure to meet the above definitions of capital assets, the expenditures should meet the descriptions in the Chart of Accounts.~~

~~III. Who is eligible to receive funds:~~

~~Councilmembers may make capital expenditure appropriations to the following entities if they are incorporated non-profit organizations:~~

- ~~1. Neighborhood Associations;~~
- ~~2. Parent-Teacher Organizations;~~
- ~~3. Public purpose civic organizations;~~
- ~~4. UCG operating divisions for special projects; and~~
- ~~5. Other incorporated non-profit public purpose groups.~~

~~The following entities are ineligible to receive capital expenditure allocations:~~

- ~~1. Fayette County School System;~~
- ~~2. Established religious organizations (general "public purpose" uses may be considered); and~~
- ~~3. Any for-profit organization.~~

~~IV. **III.** Matching Funds:~~

~~It is within the discretion of the councilmember making the capital expenditure allocation to determine whether to require the entity receiving the allocation to provide matching dollars to support its capital project.~~

~~A councilmember soliciting capital expenditures from other councilmembers shall indicate whether a match will be required.~~

~~Capital Fund Allocations specifying matching dollars may be made at a ratio stipulated by the council member initiating the request.~~

~~V. Disbursement of Funds:~~

~~Upon approval of a capital expenditure request by the Council, the Capital Expenditure Coordinator shall forward a letter to the outside entity informing it of Council approval of the request, provide a copy of the resolution indicating that the funds have been dedicated, a copy of the portion of the capital expenditure policy pertaining to disbursement of funds, and the agreement.~~

~~In situations where a capital expenditure allocation exceeds \$5000, no disbursements shall be made to the outside entity until the project has been completed and meets the approval of the appropriate Department or Division of Government. It is the responsibility of the outside entity to contact the~~

~~appropriate department or division to obtain any necessary permits, authorizations and inspections. Once the project has been inspected and approved, the funds will be disbursed.~~

~~— In situations where a capital expenditure allocation is less than \$5,000, disbursement of funds may be made prior to complete of the project. The organization or entity receiving funds shall contact the appropriate department or division to obtain any necessary permits, authorizations, and inspections.~~

VI. IV. Types of Capital Expenditures:

Councilmembers may use their capital expenditure funds for the following types of projects:

1. Improvements to common areas - "common area" is defined as an area which is used by the general public which is not privately owned. i.e. public right-of-way.

2. Improvements to private property for the benefit of public good- improvements to private property are generally not appropriate; however, under limited circumstances, public funds may be used to improve private property for a public purpose. i.e. correction of engineering or environmental issues.

If a councilmember is considering a capital expenditure project that will be used for private property, the councilmember should contact the Department of Law to determine whether or not the expenditure is appropriate as soon as possible after receiving the request.

3. Improvement of state and federal property - funds may be used to improve state or federal property within Fayette County so long as the State and Federal Governments are in agreement with the improvements and the improvements are in furtherance of the public good of the citizens in Fayette County.

4. Improvements to property in which the Urban County Government has a property interest, i.e. fee simple, leasehold, easement - if the Urban County Government has a leasehold interest or an easement, improvements to the property may be subject to the approval of the owner of the property.

VII. V. Internal Governmental Capital Expenditures.

Internal Governmental Capital Expenditures are expenditures in which funds from the Council Capital Expenditure account are allocated to a department or division of the Lexington-Fayette Urban County Government.

The process for appropriating funds to another department or division of the Lexington-Fayette Urban County Government is as follows:

1. Councilmember may receive a request from a department or division of the Government for a capital expenditure appropriation or a councilmember may, on his or her own, initiate a capital expenditure allocation to a particular department or division.

2. At least eight (8) days prior to the Work Session in which the proposed capital expenditure allocations are presented, the following information shall be provided to the Capital Expenditure Coordinator:

- a. description of the project
- b. department or division receiving the allocation
- c. amount of funds to be allocated
- d. project commencement date, if known
- e. project completion date, if known

~~3. A copy of the information shall be sent to the Department of Law for legal review.~~

~~4. Once the legal review is complete and the councilmember has been notified, the Councilmember may solicit the entire Council for donations via a group request also known as a "Pass Around".~~

~~5. If the capital expenditure allocation is from a single councilmember, the appropriation request form and accompanying memorandum shall be submitted to the Capital Expenditure Coordinator (Selected by the Council Administrator).~~

~~6. If the capital expenditure allocation is for multiple councilmember allocations, the "Pass Around" form shall be prepared and submitted to the Council Administrator who shall submit the "Pass Around" form to the entire Council at the next scheduled Work Session or Council Meeting.~~

~~7. The completed "Pass Around" form shall be submitted to the Capital Expenditure Coordinator who shall prepare a consolidated list of capital expenditure requests.~~

~~8. The deadline to have all completed capital expenditure documentation on the consolidated list shall be 12:00 (noon) Thursdays.~~

~~9. The capital expenditure list shall be electronically mailed to the Council Staff, Council Clerk, Department of Law and Division of Budgeting.~~

~~10. Hard copies of the consolidated list, along with a cover memorandum signed by the Council Administrator, shall be included in the Work Session Packet for review and approval by the Council.~~

~~11. The Councilmembers vote at Work Session to approve the consolidated list. Capital expenditure appropriations are then placed on the Council Meeting Docket for approval.~~

~~12. 3. The Council Administrator or his designee will be responsible for preparing a Budget Amendment to transfer funds from the Council to the Division or Department.~~

~~13. 4. The Division Director and/or Commissioner of the department and/or division receiving the capital expenditure appropriation shall be responsible for ensuring that the project is completed.~~

~~VIII. External Council Capital Expenditures.~~

~~External Capital Expenditures are expenditures in which funds from the Council Capital Expenditure account are allocated to a particular organization or group for appropriate projects. Funds allocated to an outside entity must be for an appropriate public purpose. Except as otherwise provided herein, funds may not be allocated to improve private property.~~

~~The process for allocating external capital expenditure funds is as follows:~~

~~1. Councilmember may receive a request from an outside entity for a capital expenditure allocation for a particular project that is for a public purpose.~~

- ~~a. nature of the project~~
- ~~b. the name of the entity receiving the allocation~~
- ~~c. amount of funds to be allocated~~
- ~~d. project commencement date, if known~~
- ~~e. project completion date, if known~~

- ~~f. a copy of the Secretary of State page indicating whether the organization is in good standing~~
- ~~g. the account number for payment~~
- ~~h. the location of the project, i.e., public or private property~~
- ~~i. the public purpose of the project~~

~~2. At least eight (8) days prior to the Work Session in which the proposed capital expenditure allocations are presented, the following information shall be provided to the Capital Expenditure Coordinator:~~

~~3. A copy of the information shall be sent to the Department of Law for legal review.~~

~~4. Once the legal review is complete and the Councilmember has been notified, the Councilmember may solicit the entire Council for donations via a group request also known as a "Pass Around".~~

~~5. If the capital expenditure appropriation is from a single councilmember, the appropriation request form and accompanying memorandum shall be submitted to the Capital Expenditure Coordinator (Selected by the Council Administrator).~~

~~6. If the capital expenditure appropriation is for multiple councilmember allocations, the "Pass Around" form shall be prepared and submitted to the Council Administrator who shall submit the "Pass Around" form to the entire Council at the next scheduled Work Session or Council Meeting.~~

~~7. The completed "Pass Around" form shall be submitted to the Capital Expenditure Coordinator who shall prepare a consolidated list of capital expenditure requests.~~

~~8. The deadline to have all completed capital expenditure documentation on the consolidated list shall be 12:00 (noon) Thursdays.~~

~~9. The capital expenditure list shall be electronically mailed to the Council Staff, Council Clerk, Department of Law and Division of Budgeting. The Council staff shall prepare an agreement for the organization using a format supplied by the Department of Law. Completed agreements shall be~~

~~reviewed by the Department of Law for legal sufficiency prior to submission to the organization.~~

~~10. Hard copies of the consolidated list, along with a cover memorandum signed by the Council Administrator, shall be distributed to all Councilmembers in time for review with the Work Session Packet.~~

~~11. The Councilmembers vote at Work Session to approve the consolidated list. Capital expenditure allocations and authorization for the Mayor to execute the agreements are then placed on the Council Meeting Docket for approval.~~

~~12. If the allocation is less than \$5,000.00, the Capital Expenditure Coordinator shall request a check from the Division of Accounting and shall obtain the appropriate signatures on the agreement. The check shall not be forwarded to the entity until a signed agreement is received. If the allocation is greater than \$5,000.00, then the check shall not be forwarded to the entity until after the signed agreement is received, the work is completed and has been inspected and approved by the appropriate department or division of Government.~~