



Request for City Council Committee Action from the Department of

Date March 20, 2006

To Ways & Means Committee
Referral to

Subject Request for approval of technology expenditures and change in policy

Recommendation

1. Amend the 2006 appropriation resolutions to increase the budgets in the funds for technology expenditures as indicated in the attached table
2. Authorize the Finance Officer to execute any 2006 appropriation changes necessary to carry out the intent of this action.
3. Revise existing financial policies to outline criteria for prepayment of technology projects.

Previous Directives

None

Prepared or Submitted by Heather Johnston, Director of Management and Budget, 673-2918

Approved by Patrick Born, City Finance Officer _____

Steven Bosacker, City Coordinator _____

Permanent Review Committee (PRC) Approval ____ Not Applicable _X_

Note: To determine if applicable see <http://insite/finance/purchasing/permanent-review-committee-overview.asp>

Policy Review Group (PRG) Approval ____ Date of Approval ____ Not Applicable _X_

Note: The Policy Review Group is a committee co-chaired by the City Clerk and the City Coordinator that must review all requests related to establishing or changing enterprise policies.

Presenters in Committee Pat Born, City Finance Officer, and Heather Johnston, Director of Management and Budget

Financial Impact (Check those that apply)

No financial impact (If checked, go directly to Background/Supporting Information).

X Action requires an appropriation increase to the ____ Capital Budget or ____ Operating Budget.

Action provides increased revenue for appropriation increase.

Action requires use of contingency or reserves.

Business Plan: Action is within the plan. Action requires a change to plan.

Other financial impact (Explain):

Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Neighborhood Notification

City Goals

Comprehensive Plan

Zoning Code

Other

Background/Supporting Information Attached

Five-year business planning encourages departments to take a long-term perspective when analyzing business needs. Departments have indicated a desire to find a way to finance technology projects, while limiting the need to issue bonds. Setting aside funds over the course of multiple years to fund technology projects enables departments to plan for and finance larger technology projects in a responsible manner.

The operating costs for these technology projects should be identified in department operating budgets prior to the purchase of the technology.

The Finance Department recommends that the existing Financial Policies be amended to include the following:

Pre-Payment of Technology Capital Investments:

The following criteria should be applied to a department's request for pre-payment of a technology capital investment initiative:

1. **Must be a valid encumbrance;** as indicated by a signed agreement between BIS and its customer that spells out the work to be performed along with the costs, any ongoing operating costs associated with the purchase of the technology, and how the department will pay for any ongoing operating costs within existing resources.
2. **One-time expenditure;** The prepayment should only be for one-time project related costs and should not pay for recurring items such as maintenance or managed service costs. Ongoing costs should be identified within a department's existing operating budget.
3. **Purpose is consistent with the department's business plan**
4. **The customer has sufficient appropriation in their budget to cover the prepayment.** In addition, the fund must have positive fund balance (net assets) and cash.

5. **If the customer cancels the project in the subsequent year, the cash and appropriation will revert to the General Fund contingency budget, not the customer departments' budget.**
6. Once the project is completed, **any remaining appropriation and cash will also be transferred to the General Fund contingency budget.**
7. Department **projects in excess of \$250,000** should seek City Council approval for pre-payment financing prior to the end of the fiscal year.

The City Finance Officer shall make the appropriations adjustments as necessary to carry out this technology financing option. Consistent with other capital investment policies, funds approved according to this policy expire four years after original approval and revert to the general fund.

The Finance Department further recommends:

A report will be submitted to the Council at the end of the year with projects and amounts approved according to this policy.

The attached table presents the 2005 prepayment projects that meet these criteria.