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[PROPOSED] CAPITAL PROJECT FUND FINANCIAL POLICY

The City of Fairbanks Capital Project Fund is essential to ensuring that funds are available for major equipment purchases, facility upgrades, road improvements, and other significant projects. To ensure funding is available the City of Fairbanks will strive to maintain an unassigned fund balance of \$5 million in the Capital Fund through the following:

1. Transfer from the permanent fund per Fairbanks General Code Article VIII Section 8.8 (b) (2).
2. Interest income generated from the capital fund account balance.
3. Sale of capital assets purchased with capital funds.
4. Lease payments from property developed with capital funds. For example: the city uses capital funds to develop a property and leases the property to another entity; the lease payments will be applied to the capital fund.
5. Transfers from the general fund as approved by the City Council.



CITY OF FAIRBANKS CAPITAL PROJECT FUND OVERVIEW

Description

City voters approved amendment of the City Charter in October 2006 to establish a capital project fund (Capital Fund) to designate funds for capital use. All funds appropriated to the capital fund remain in the fund until expended on capital projects as approved by the City Council. Capital Fund projects are proposed during the budgeting process by Department Heads for approval by Mayor and/or Council.

Definitions

Capital Project: Any major expenditure relating to the acquisition, expansion, or rehabilitation of the City's infrastructure and major equipment purchases which generally falls into one of the following categories: land purchase; new structures; structural and non-structural improvements; major repairs; and major equipment.

Capital Project Threshold: Any major expenditure exceeding **\$10,000** for equipment and machinery with a useful life of two years or **\$25,000** for physical government facilities with a useful life of five years or more such as costs for acquisition of land or interests in land; construction of buildings or other structures, including additions or major alterations; construction of streets or utility lines; and major landscaping and similar expenditures, including associated planning and design work related directly to an individual project.

Capital Assets Threshold: Any major expenditure with an initial, individual cost of more than **\$10,000** for machinery and equipment with an estimated useful life of two years, **\$250,000** for buildings with an estimated useful life of five years, and **\$1,000,000** for infrastructure with an estimated useful life of five years.

Revenues

The Capital Fund main source of funding is transfers from the General Fund and an annual transfer from the Permanent Fund. The City Code allows not more than one half of one percent of the Permanent Fund five-year market value to be used for capital needs. The city code prohibits the transfer of resources from the capital fund to other funds.

