



## Memorandum

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**Date:** 2/16/2022

**To:** Board of directors

**From:** Jason Frisbie, general manager and chief executive officer  
Dave Smalley, chief financial officer and deputy general manager  
Shelley Nywall, director of finance  
Jason Harris, controller

**Subject:** **Transfer of 2021 capital budget carryover to 2022 budget**

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Throughout the year, staff provides the board monthly reports on anticipated budget variances, potential contingency requests and expected amounts to be carried over into the following year. Capital expenditures at the end of 2021 were \$10.0 million below budget, so staff requests that \$10.0 million be carried over to the 2022 budget. No contingency transfer was required due to project scope changes, cancellations and reimbursements.

State budget law provides for carryover of unspent budget funds. Although changes in spending for some projects can be determined early enough in the year to allow for re-budgeting in the subsequent year, staff prefers the carryover process. The points below explain how the carryover process provides better project accountability and transparency, as well as how it supports consistent budget reporting and processes.

- Funds have been appropriated for the project and will remain with the project until complete. This does not free up funds for over-budget or unplanned projects. Over-budget and unplanned projects go through an approval process and may require a transfer of contingency funds. Both carryover funds and contingency transfer requests are reported to and approved by the board.
- When projects go through the carryover process, it provides greater transparency for project planning evaluation and requires project managers to provide justification and ensures accountability.
- In most cases, actual amounts that need to be carried over to start or complete a project are not known until late in the year. It is unfeasible to re-budget when there is not enough time to capture the amount in the next year's budget.

- Projects often cannot be planned and executed in a single budget year and are planned far in advance due to the annual budget process. Further, large multi-year projects have variability from year to year so will often require carryover funds.
- The carryover process also makes a clear distinction between canceled projects versus projects that still require funds but are delayed, which is important for cash flow planning.

While project managers provide revisions throughout the year on projected carryovers, the year-end process includes the project manager justifying the carryover funds, approval by the director, senior leader and general manager, and final approval by the board. During this process, projects are evaluated in conjunction with the current year’s budgeted projects to re-evaluate priorities and feasibility of all planned projects.

Platte River has consistently made progress in planning and executing projects. While there is still progress to be made, successes can be seen in an overall change in mindset toward project planning and project managers’ greater use of resource allocation tools to more accurately determine project requests.

Resolution No. 15-21, adoption of the 2022 Strategic Budget, authorizes the unexpended balance of funds for 2021 capital additions to be carried over to the 2022 Strategic Budget. Staff is requesting a carryover amount of \$10,008,490. Five significant projects represent approximately 78% of the carryover amount. There are a few multi-year projects with uncertain timing. Since the emergence of the COVID-19 pandemic, supply chains across the world slowed down due to disrupted shipping, labor and material shortages and fluctuating demand. There are projects that were delayed due to supply chain issues. A few of the projects requesting carryover were close to completion by year end and are now in final stages. Other projects were slated for carryover during the year due to staff and vendor resource availability, priority shifts and changes in overall project schedules for various reasons. The majority of the projects, along with brief descriptions of delays and carryover justifications, are detailed in the December financial report. A complete list of the projects and amounts requiring carryover to 2022 is attached and categorized by the general reason for carryover.

The final capital budget for 2022 is as follows.

\$ 28,910,456	Original 2022 capital budget
<u>10,008,490</u>	Capital carryover requests
\$ 38,918,946	Final 2022 capital budget

Staff will be available to answer questions at the February board meeting.

Attachment